Interim Report
at 30 September 2014

Board of Directors
of 12 November 2014

iren

Contents

INTRODUCTION

As discussed extensively in the following paragraph on the accounting policies adopted, the new IFRS 11 governing the accounting of joint arrangements became effective from 1 January 2014. The standard no longer allows the proportionate consolidation applied by the Iren Group to joint ventures up to 31 December 2013. The consequences of this are the deconsolidation of the companies OLT, SAP, AES and Iren Rinnovabili, which from 1 January 2014 are recognised using the equity method.

Also note that, as better illustrated in the paragraph “Significant events of the period”, due to the agreement signed between Iren Energia and Italgas on 9 April 2014 and the subsequent non-proportional partial spin-off of AES Torino, with effect from 1 July 2014 Iren Energia has again become direct owner of the district heating network in the municipalities of Turin, Moncalieri and Nichelino.

As a result of the above, the Directors considered it appropriate to prepare not only the financial statements according to international accounting standards in force, but also specific restated accounts that, with a line-by-line income statement, fully reflect the revenue and costs of district heating business in the city of Turin. The restated statements, in addition to providing information essentially in line with that provided before the new IFRS 11 became effective (when AES S.p.A. was proportionately consolidated), better reflect the strategic nature of the district heating business, in which the Iren Group is among Italy’s leaders, and the role played by the Group in managing and developing district heating in Turin.

For the reasons stated above, the notes on Iren Group performance in the first nine months of 2014 refer to the restated financial statements.

Consistent with the above, based on the elements which management uses in making operational and strategic decisions, pursuant to IFRS 8 the segment reporting section also refers to the restated figures.

KEY FIGURES OF THE IREN GROUP

	First 9 months 2014 Restated	First 9 months 2013 Restated	% Change
Income statement figures *(millions of euro)*			
Revenue	2,071	2,417	(14.3)
Gross operating profit (EBITDA)	484	483	0.3
Operating profit (EBIT)	283	274	3.0
Profit before tax	194	207	(6.5)
Profit/(loss) for the period - Group and non-controlling interests	102	108	(5.4)
Statement of financial position figures *(millions of euro)*	**At 30/09/2014**	**At 31/12/2013 Restated**	
Net invested capital	4,277	4,191	2.1
Equity	1,996	1,999	(0.2)
Net financial position	(2,281)	(2,192)	4.1
Financial/economic indicators	*First 9 months 2014 Restated*	*First 9 months 2013 Restated*	
GOP/Revenue	23.4%	20.0%	
	At 30/09/2014	*At 31/12/2013 Restated*	
Debt/Equity	1.14	1.10	
Technical and trading figures	*First 9 months 2014*	*First 9 months 2013*	
Electrical energy sold (GWh)	7,875	9,495	(17.1)
Heat energy produced (GWh_t)	1,620	1,993	(18.7)
District heating volume (mln m^3)	79	77	3.0
Gas sold (mln m^3)	1,479	2,164	(31.6)
Water distributed (mln m^3)	108	113	(4.2)
Waste handled (tons)	795,711	738,505	7.7

Iren is a multiutility company listed on the Italian Stock Exchange and was established on 1 July 2010 as a result of the merger of IRIDE and ENÌA. It operates in the sectors of electrical energy (production, distribution and sale), heat (production, carriage and sale), gas (distribution and sale), integrated water services, waste management services (collection and disposal of waste) and services for public administration.

Iren is structured as an industrial holding, with headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies head of the single business lines. The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines as follows:

- Iren Acqua Gas operates in the integrated water cycle;
- Iren Energia operates in the electrical and heat energy production and technological services sector;
- Iren Mercato manages the sale of electrical energy, gas and district heating;

- Iren Emilia operates in the gas sector and manages local services;
- Iren Ambiente manages the waste collection and waste management services, the design and management of waste treatment and disposal plants and operates in the renewable energy sector.

The main quantitative figures of the Iren Group are presented below.

Electrical energy production: through a considerable number of electrical energy and heat energy plants for district heating production, the overall production capacity is over 8,800 GWh/year, including the portion ensured by the plants acquired from Edipower (Turbigo and Tusciano).

Gas distribution: through its network of over 9,000 km, Iren serves over one million customers.

Electrical energy distribution: with 7,474 km of low, medium and high voltage networks, the Group distributes electrical energy to over 691,000 customers in Turin and Parma.

Integrated water service: with around 14,100 km of aqueduct networks, over 8,000 km of sewerage networks and 813 treatment plants, Iren provides services to more than 2,400,000 residents.

Waste management cycle: with 123 equipped ecological stations, 2 waste-to-energy plants, 1 landfill, 11 treatment plants and 2 composting plants, the Group serves 116 municipalities for a total of around 1,139,000 residents.

District heating: through 878 km of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 79 million m^3, equivalent to a population served of over 550,000 individuals.

Sales of gas, electrical energy and heat energy: each year the Group sells over 3 billion m^3 of gas, over 13,000 GWh of electrical energy and around 3,000 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Francesco Profumo
Deputy Chairman	Andrea Viero
CEO	Nicola De Sanctis
Directors	Franco Amato (1)
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Augusto Buscaglia (2)
	Alessandro Ghibellini (3)
	Fabiola Mascardi (4)
	Ettore Rocchi (5)
	Barbara Zanardi (6)

Board of Statutory Auditors

Chairman	Paolo Peveraro (7)
Standing Auditors	Aldo Milanese (7)
	Annamaria Fellegara (7)
Substitute Auditors	Alessandro Cotto (7)
	Emilio Gatto (7)

Manager in charge of financial reporting

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. (8)

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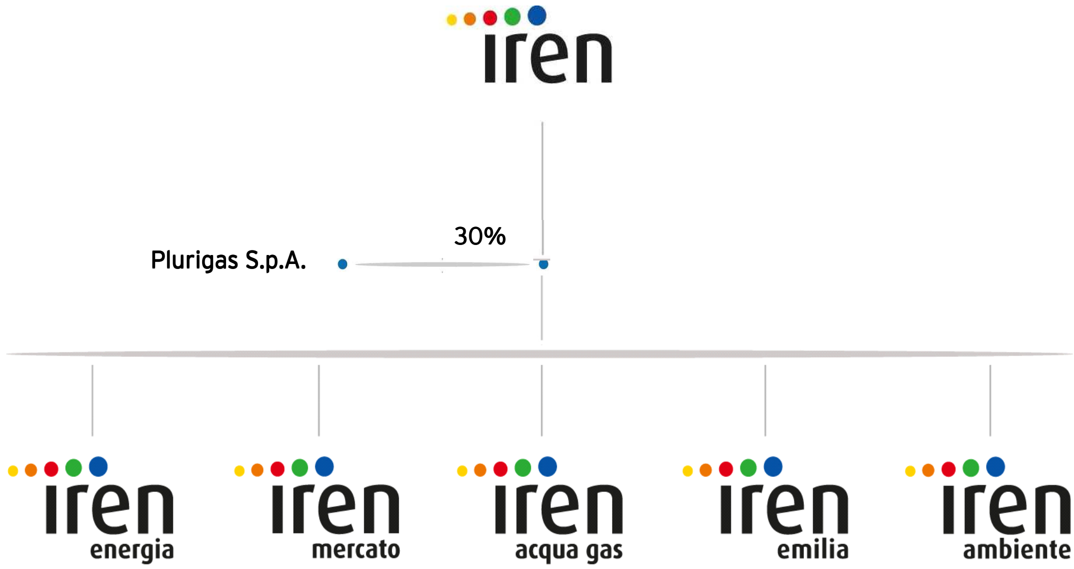
(1) Chairman of the Control and Risk Committee and member of the Committee for Transactions with Related Parties
(2) Member of the Remuneration Committee
(3) Member of the Control and Risk Committee
(4) Chairman of the Remuneration Committee and member of the Committee for Transactions with Related Parties
(5) Member of the Remuneration Committee
(6) Chairman of the Committee for Transactions with Related Parties and member of the Control and Risk Committee
(7) Appointed by the shareholders' meeting on 14 May 2012 for the 2012-2014 three-year period.
(8) Appointed by the shareholders' meeting on 14 May 2012 for the 2012-2020 nine-year period.

MISSION AND VALUES OF THE IREN GROUP

The Iren Group's mission is to offer its customers and residents service efficiency, effectiveness, economic convenience and high quality, operating with expertise and professionalism with full respect for the environment and safety in the energy, integrated water services, waste management sectors and on behalf of public administrations, contributing to the well-being of its staff and of the community and guaranteeing its shareholders an adequate profitability.

IREN GROUP: ORGANISATIONAL STRUCTURE



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.

The flowchart illustrates the main investee companies of Iren Holding.

IREN ENERGIA

Cogenerative production of electrical energy and heat energy
Iren Energia's installed capacity totals approximately 3,000 MW (of electrical energy), of which around 2,800 MW is directly generated and around 200 MW through the investee Energia Italiana. Specifically, Iren Energia owns 25 electrical energy production plants: 19 hydroelectric plants, 5 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,200 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment.
Iren Energia's total heat production capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Annual heat production was in the region of 1,620 GWht in 2013, with district heating volumes of more than 79 million m^3.

District Heating
From 1 July 2014 following the AES Torino spin-off (51% controlled), Iren Energia directly manages the district heating business and in the city of Turin owns one of the largest district heating networks in the whole of Italy (approximately 520 km of dual-piping at 31 December 2013).
Iren Energia also owns the district heating networks of Reggio Emilia, covering around 216 Km, of Parma with roughly 84 Km and Piacenza which covers approximately 19 km.
Lastly, Nichelino Energia, fully owned by Iren Energia, aims to develop district heating in the town of Nichelino.

Electrical energy distribution

Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In the first nine months of 2014 the electrical energy distributed was equal to 2,880 GWh, of which 2,193 GWh in Turin and 687 GWh in Parma.

Services to Local Authorities and Global Service

Iren Servizi e Innovazione operates in the following sectors: public and monument lighting, traffic light systems, global technology service management of buildings and renewable and alternative energies.
In addition, Iren Servizi e Innovazione constructs plants for the production of electrical energy from renewable sources, such as photovoltaic, solar thermal energy and biomass (woodchips and pellets), and similar such as trigeneration plants (combined cooling, heat and power or CCHP).

IREN MERCATO

Through Iren Mercato the Group sells electrical energy, gas and heat, supplies fuel to the Group, trades energy efficiency certificate (or white certificates), green certificate and emission trading, provides customer management services to Group companies and supplies heat services and sales heat through the district heating network.
Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy.
Iren Mercato oversees the planning, dispatching and final reporting on electrical energy. It also handles the marketing of energy originating from various group sources on the market represented by end customers, the Italian Power Exchange and other wholesalers.
The main Group power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.
Iren Mercato also acts as “higher protection” service operator for retail customers in the electrical energy market in Turin province and the Parma area.
Lastly, Iren Mercato handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Piacenza and Parma, together with sales development in new district heating areas and in the urban district of Turin for its surrounding municipalities (Nichelino).
Traditionally, Iren Mercato operates in the sector of direct sales of methane gas in the Genoa area and other surrounding provinces in Liguria and Lower Piedmont. Following the mergers in which it was involved, the company also serves the municipalities of Turin and Sassuolo (Modena) and the provinces of Reggio Emilia, Parma and Piacenza.
The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, also through subsidiaries and investee companies. This contractual model guarantees long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of natural gas

Total volumes of natural gas procured in the first nine months of 2014 were approximately 1,479 million m^3 of which approximately 644 million m^3 were sold to customers outside the Group, 693 million m^3 were used within the Iren Group both for electrical energy and heat energy production and for the provision of heating services, whilst 142 million m^3 of gas remained in storage.
At 30 September 2014 gas customers managed directly by Iren Mercato totalled approximately 727,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electrical energy

Volumes sold in the first nine months of 2014 amounted to 7,875 GWh.
Electrical energy retail customers managed totalled approximately 717,000 at the end of September 2014, mainly distributed in the traditionally-served catchment areas of Turin and Parma, and in areas covered by company marketing.

A cluster analysis of end customers is provided below.

Free market and power exchange
Total volumes sold to end customers and wholesalers amount to 3,742 GWh, while the volumes used on the power exchange gross of energy bought/sold amounted to 3,596 GWh. In the first nine months of 2014, the availability of electrical energy from internal Iren Group production amounted to 4,188 GWh (Iren Energia) plus 210 GWh from the IEH and TRM plants. Added to internal availability is the power exchange (gross of energy bought and sold) totalling 1,985 GWh and purchases from wholesalers for 1,518 GWh. The remaining part of sold volumes mainly refers to intra-group transactions and distribution losses.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were around 307,500 in the first nine months of 2014. The total volumes sold amounted to 537 GWh.

Sale of heat energy through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa (through the CAE), Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
In the first nine months of 2014, the total district heating volume reached 79.2 million m^3, marking an increase over the previous year (+2.3 million m^3).

Heat service management
The Group sells heat management services and global services both to private entities and public authorities.

LNG regasification plant
As reported in the 2013 financial statements, note that on 12 July 2013 OLT officially waived its TPA (Third Party Access) waiver, formally notifying the Ministry for Economic Development.
Waiver of the right to exemption from the TPA regime was specifically envisaged in the guarantee ruling established by AEEG Resolution no. 92/08.
During the first half of 2014 contact with the Ministry continued, as a result of which the Department for procurement safety and energy infrastructures announced at the beginning of March that “following the positive opinion of the AEEG pursuant to Resolution 4/2014/I/GASA of 16 January 2014, the decree format has been prepared and submitted to the Ministry’s Cabinet Office in relation to acceptance of the waiver in question with effect from 20 December 2013, the date of operational start-up of the regasification terminal”.
The change of Government in the meantime caused a further legal deadline to be missed, inevitable in order to acquire the necessary knowledge of the terminal and the procedural process under way.
The directors believe there are sufficient elements to forecast a positive outcome to the proceedings and therefore that the guarantee will be released to the company.

IREN ACQUA GAS

Integrated Water Services
Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter. In particular, from July 2004 it assumed the role of market operator for the Genoa ATO [Ambito Territoriale Ottimale], and from 1 July 2010 management of the water division for the Reggio Emilia and Parma areas was granted to Iren Acqua Gas as part of the Iride-Enìa merger.

From 1 October 2011, as a result of transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza ATO.
Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs (Genoa, Reggio Emilia, Parma and Piacenza).
In the first nine months of 2014, Iren Acqua Gas, directly and through its subsidiaries, sold approximately 108 million m³ of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

Gas distribution

Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected methane reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed 229 million m³ of gas during the first nine months of 2014.

Special technological services/research

Through its Saster and SasterPipe Divisions, Genova Reti Gas is able to offer network engineering services to the market (IT, modelling, simulation) and upgrading of technological networks with no-dig technologies, of which the company has exclusive know-how. In order to specifically promote and organise scientific and cultural initiatives to safeguard the environment and water resources and to provide optimum network management services, in 2003 the Fondazione AMGA Onlus was also created. The foundation promotes and implements research, training and information projects, and provides support for initiatives implemented by other entities in relation to environmental protection and the organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the methane gas distribution sector and coordinates the operations management activities of Emilia Romagna area companies for the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).
Iren Emilia manages the natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,900 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 726,879 Smc/h.
Iren Emilia also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 12,200 km of aqueduct networks, 6,900 km of sewerage networks, 452 waste water pumping systems and 794 purification plants, both biological treatment plants and Imhoff tanks, distributed across 110 Municipalities.
The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 320 km that serves a total volume of 18,909,600 m³.
Iren Emilia also runs the district heating plants on behalf of Iren Energia Group companies on the basis of agreements for the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia companies in the three provinces of Parma, Reggio Emilia and Piacenza. Maintenance of Iren Ambiente cogeneration plants located at proprietary landfills also continued.
Operations management of the electrical energy distribution network is carried out in the city of Parma and concerns 2,370 km of network and almost 125,000 delivery points to end customers.

With effect from 1 July 2014 Iren Emilia transferred the waste collection business unit to the Iren Ambiente company already operating in the waste disposal sector.

IREN AMBIENTE

Waste Management segment

Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza. From 1 July 2014 it also collects waste in the areas of Parma, Reggio Emilia and Piacenza.

Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste collected. The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.

Iren Ambiente handles over 1,000,000 tons of waste per year in 12 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 1 landfill (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). The new Integrated Environmental Hub (IEH), a waste selection and waste-to-energy plant in the province of Parma, became fully operational in April 2014. The waste collection business unit was transferred by Iren Emilia with effect from 1 July 2014.

IREN GROUP PERSONNEL

At 30 September 2014, the employees working for the Iren Group totalled 4,504, down by 0.7% compared to the figure at 31 December 2013 which was 4,536 employees. The table below provides a breakdown of personnel at 30 September 2014, divided into Holding and First-level companies (with related subsidiaries).

Company	Personnel at 30.09.2014	Personnel at 31.12.2013
Iren S.p.A.	255	261
Iren Acqua Gas and subsidiaries	899	898
Iren Ambiente and subsidiaries	599	200
Iren Emilia and subsidiaries	1,256	1,667
Iren Energia and subsidiaries	1,056	1,069
Iren Mercato and subsidiaries	439	441
Total	**4,504**	**4,536**

Note that the figure at 31 December 2013 was restated to take into account the deconsolidation of Iren Rinnovabili, Società Acque Potabili and OLT and the combined effect of the deconsolidation of AES and acquisition of the related district heating network mentioned in the introduction to this report. (For further information, please refer to the paragraph “Significant events of the period”).

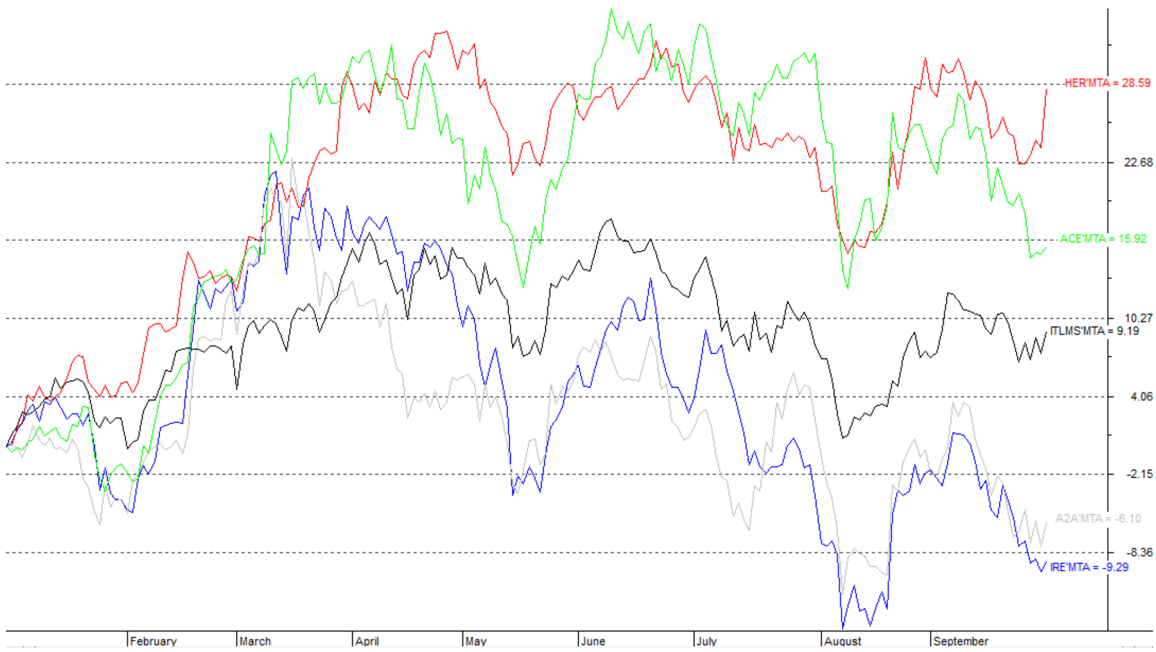
INFORMATION ON THE IREN SHARE IN THE FIRST NINE MONTHS OF 2014

Iren share performance on the Stock Exchange

During the first nine months of 2014 the Italian Stock Exchange followed a positive trend, mostly associated with an easing of financial tension as a result of the ECB expansion policies, confirmed in the last quarter, rather than a true recovery in the real economy.
The economic situation continues to be characterised by a persisting weakness of the energy markets, which has had an impact mostly on companies with greater exposure to gas and energy generation and sale activities.
In this context the Iren share lost around -9% since the start of the year, with a trend comparable to A2A (-6.1%) which has an asset portfolio similar to Iren's.

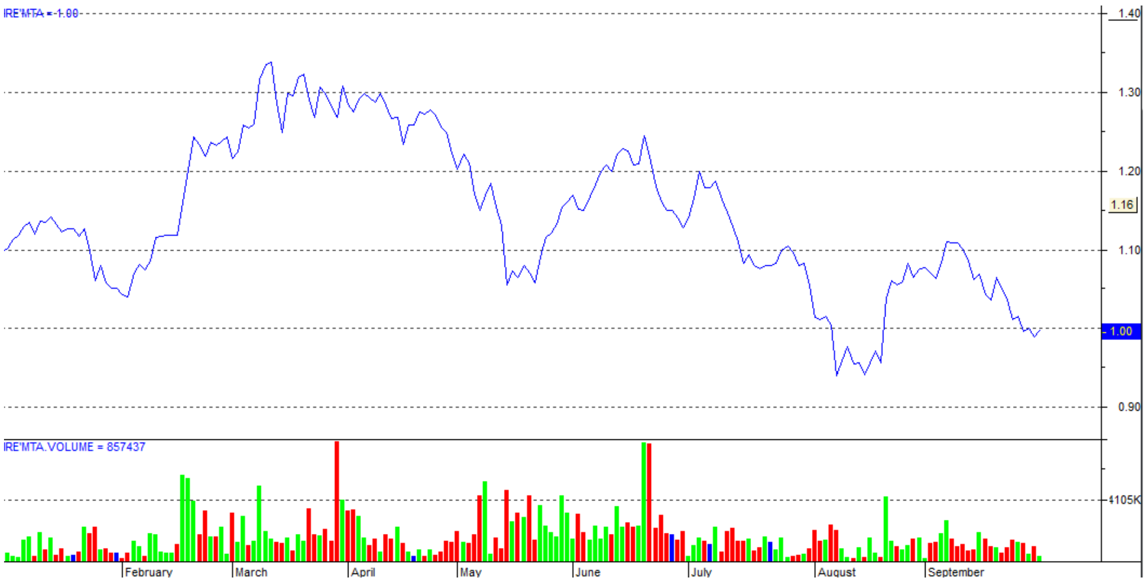
In the same period the MTA index recorded a growth of around 9%, whilst Hera and Acea, which have asset portfolios based mainly on regulated activities, recorded performances higher than that of the index, growing by around 28% and 16%, respectively.

THE SHARE PERFORMANCES OF IREN AND COMPETITORS



At the end of September 2014 the Iren share recorded Euro 1.0 per share, with average trading volumes since the start of the year of around 2.0 million units per day.
In the same period the average share price was Euro 1.14, peaking at Euro 1.34 on 11 March and bottoming out at Euro 0.94 on 18 August.

IREN SHARE PRICE AND TRADING VOLUME PERFORMANCE

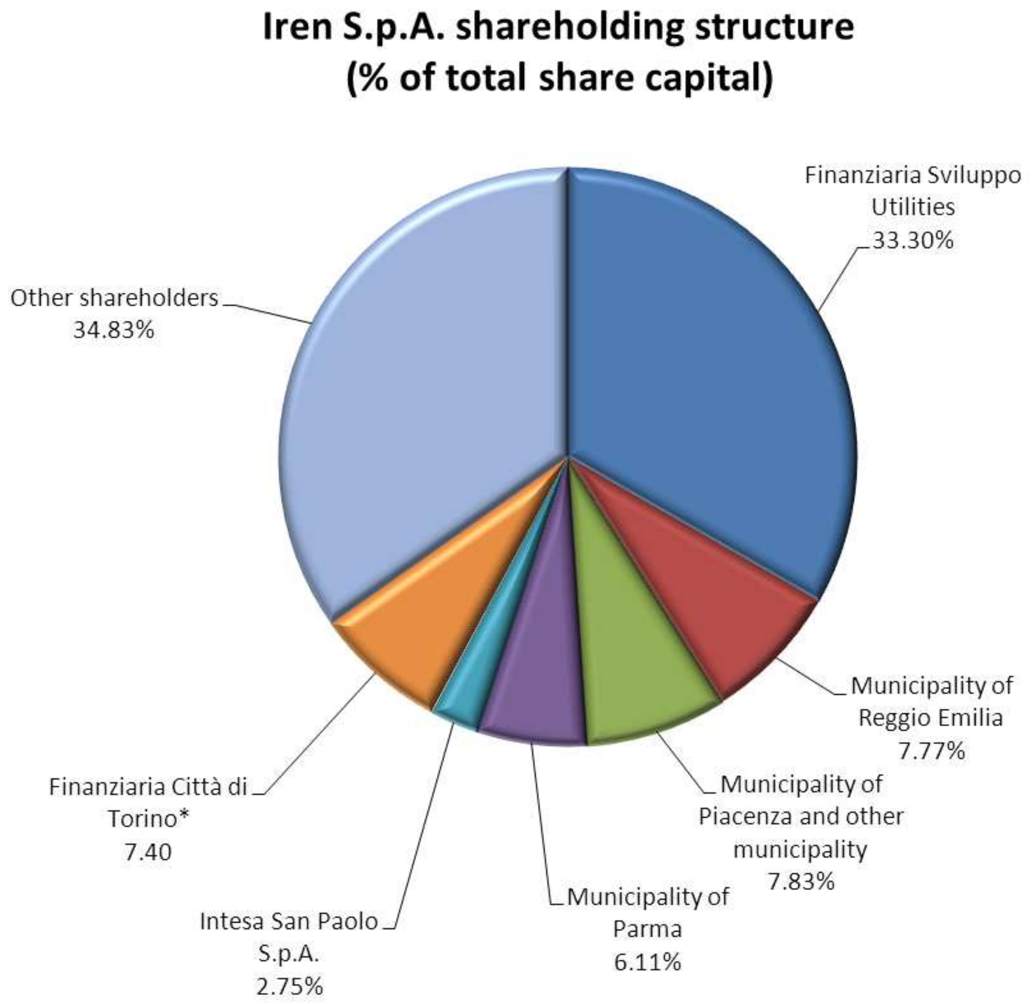


Share coverage

The Iren Group is currently followed by six brokers: Banca IMI, Banca Akros, Equita, Intermonte, KeplerCheuvreux and Mediobanca, which began coverage on 29 September.

Shareholding structure

At 30 September 2014, based on available information, the shareholding structure of Iren was as follows:



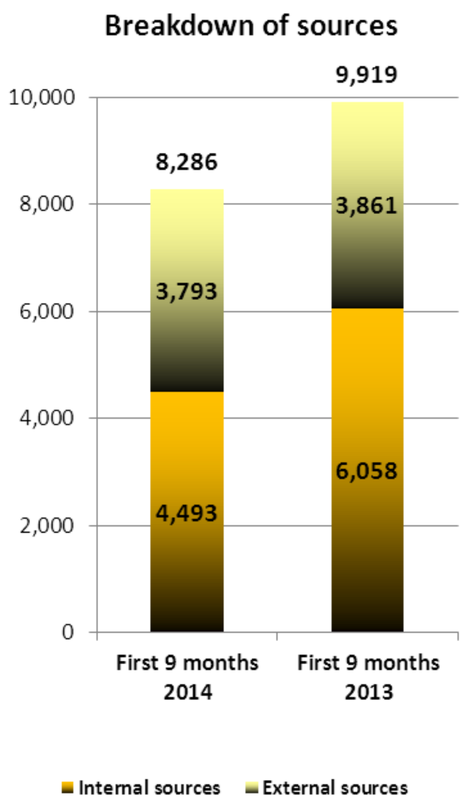
(*) savings shares without voting rights

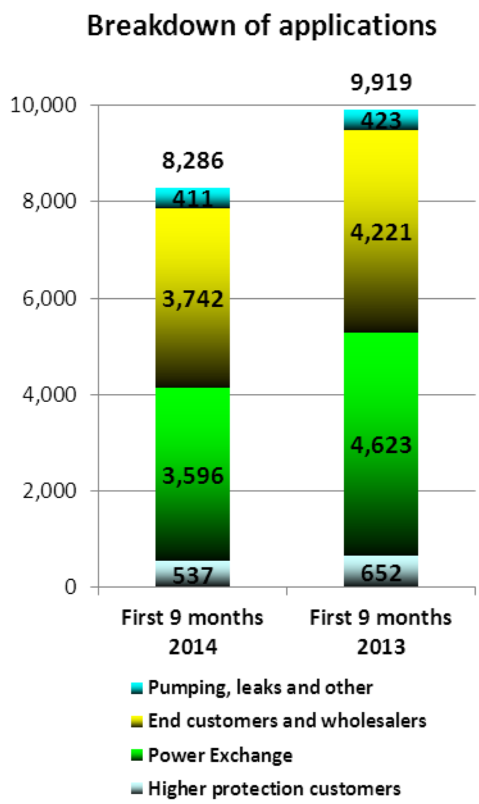
OPERATING DATA

Electrical energy production

GWh	First 9 months 2014	First 9 months 2013	% Change
SOURCES			
Gross production	4,493	6,058	(25.8)
a) from cogeneration sources	*2,470*	*4,239*	*(41.7)*
b) from hydroelectric sources	*1,114*	*1,004*	*10.9*
c) from thermoelectric sources	*613*	*0*	*-*
d) WTE production and landfills, IEH and TRM	*296*	*76*	*(*)*
e) Edipower plant production	*0*	*739*	*(100)*
Purchases from Acquirente Unico	564	684	(17.6)
Energy purchased on the Power Exchange	1,695	1,571	7.9
Energy purchased from wholesalers and imports	1,534	1,606	(4.5)
Total Sources	**8,286**	**9,919**	**(16.5)**
APPLICATION			
Sales to protected customers	537	652	(17.6)
Sales on the Power Exchange	3,596	4,623	(22.2)
Sales to eligible end customers and wholesalers	3,742	4,221	(11.3)
Pumping, distribution losses and other	411	423	(2.8)
Total Application	**8,286**	**9,919**	**(16.5)**

(*) Change of more than 100%

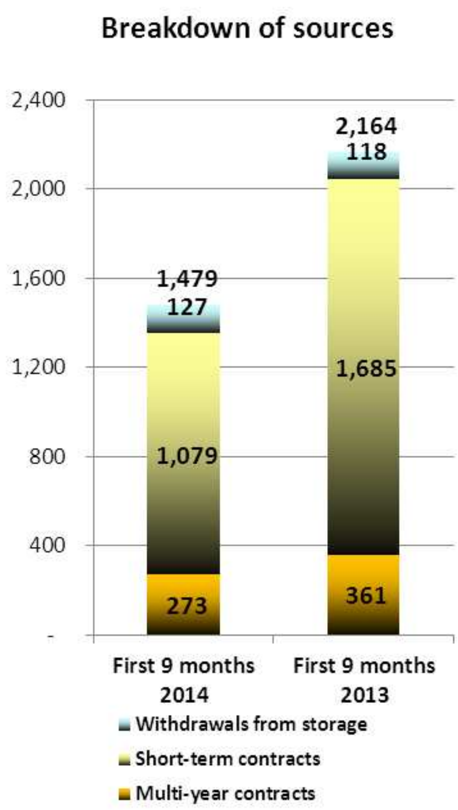


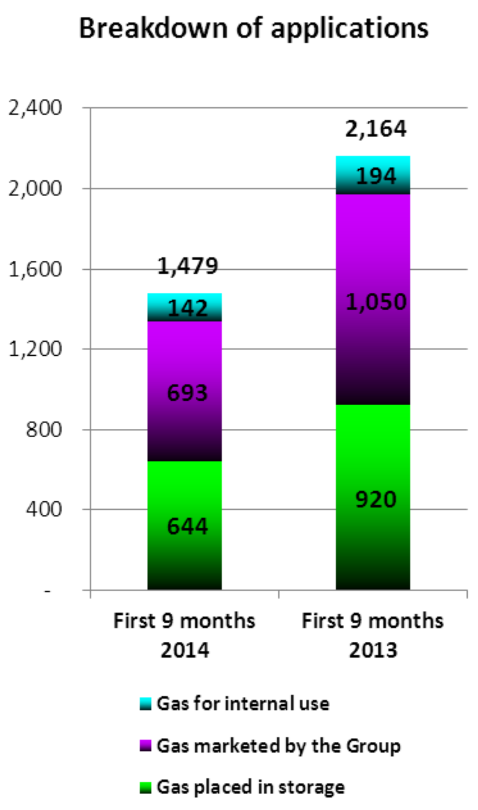


Gas Production

Millions of m³	First 9 months 2014	First 9 months 2013	% Change
SOURCES			
Long-term contracts	273	361	(23.4)
Short-term contracts (annual and spot)	1,079	1,685	(36.0)
Gas in storage	127	118	8.1
Total Sources	**1,479**	**2,164**	**(31.6)**
APPLICATION			
Gas sold by the Group	644	920	(30.0)
Gas placed in storage	142	194	(26.8)
Gas for internal use (1)	693	1,050	(34.0)
Total Application	**1,479**	**2,164**	**(31.6)**

(1) Internal use involved thermoelectric plants, tolling, use in the generation of heat services and internal consumption.





Network services

	First 9 months 2014	First 9 months 2013	% Change
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	2,880	3,134	(8.1)
No. of electronic meters	701,697	694,753	1.0
GAS DISTRIBUTION			
Gas distributed by Iren Acqua Gas (mln m³)	*229*	*278*	*(17.6)*
Gas distributed by Iren Emilia (mln m³)	*501*	*662*	*(24.2)*
Total Gas distributed	730	939	(22.3)
DISTRICT HEATING			
District heating volume (mln m³)	79	77	3.0
District heating network (Km)	878	828	6.0
INTEGRATED WATER SERVICE			
Water volume (mln m³)	108	113	(4.2)

MARKET CONTEXT

The domestic energy context

In the period January-September 2014 the net electricity production in Italy was 202,694 GWh, down (-3.8%) compared to the same period in 2013. Of the demand for electrical energy amounting to 231,797 GWh (-3.0%), 88.2% was met from domestic production (-0.7%) and the remaining 11.8% from foreign production. At domestic level, thermoelectric production was 121,391 GWh, down 10.2% on 2013 and covering 59.9% of production supply. Production from hydroelectric sources was 46,210 GWh (+10.0% compared to 2013) covering 22.8%, whilst geothermal, wind and photovoltaic energy production amounted to 35,093 GWh (+4.9%) and covered 17.3% of supply.

Demand and supply of accumulated electrical energy

(GWh and annual changes)

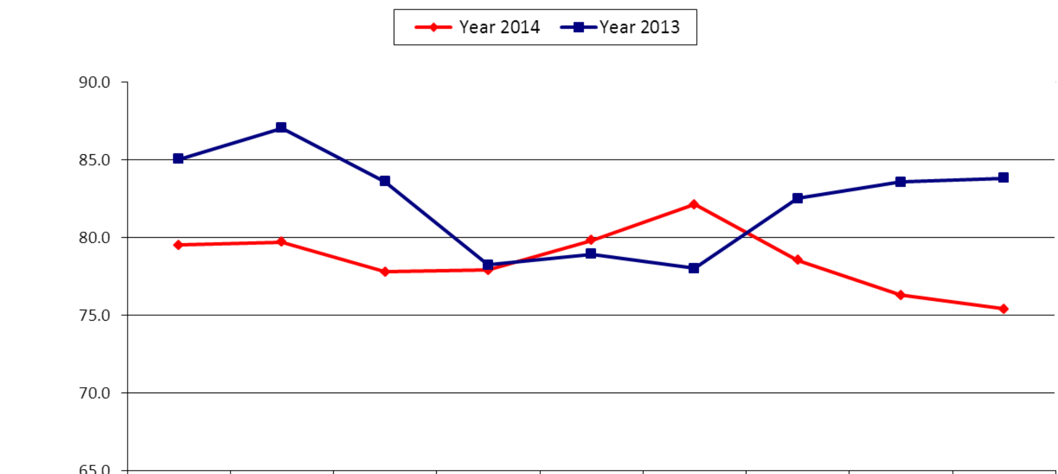
	up to 30/09/2014	**up to 30/09/2013**	**% change**
Demand	**231,797**	**239,004**	**(3.0)%**
- Northern Italy	105,890	110,192	(3.9)%
- Central Italy	69,954	71,325	(1.9)%
- Southern Italy	33,991	34,980	(2.8)%
- Islands	21,962	22,507	(2.4)%
Net production	**202,694**	**210,704**	**(3.8)%**
- Hydroelectric	46,210	42,012	10.0%
- Thermoelectric	121,391	135,251	(10.2)%
- Geo-thermoelectric	4,132	3,975	3.9%
- Wind and photovoltaic	30,961	29,466	5.1%
Foreign balance	**30,787**	**30,092**	**2.3%**

Source: RIE on TERNA data

The first nine months of 2014 showed an overall drop in electricity demand from the same period of the previous year (-3.0%), corresponding to around -7.2 TWh. Percentage decreases were seen in all areas of the country. The highest decreases were recorded in Lombardy (-6.1%) and the north-west of Italy (-4.3%).

During the first nine months of 2014 the average price of crude oil was Dollars/bbl 106.5, down on the same period of 2013 (-1.8%). The average USD/EUR exchange rate was 1.355, up (+2.9%) on the average recorded in the same period of 2013. As a result of these changes, the average crude oil price in Euro was € 78.6 per barrel in 2014, -4.5% lower than the average price for 2013.
Note that in September the Brent monthly average dropped to below $ 100 per barrel for the first time since June 2012.

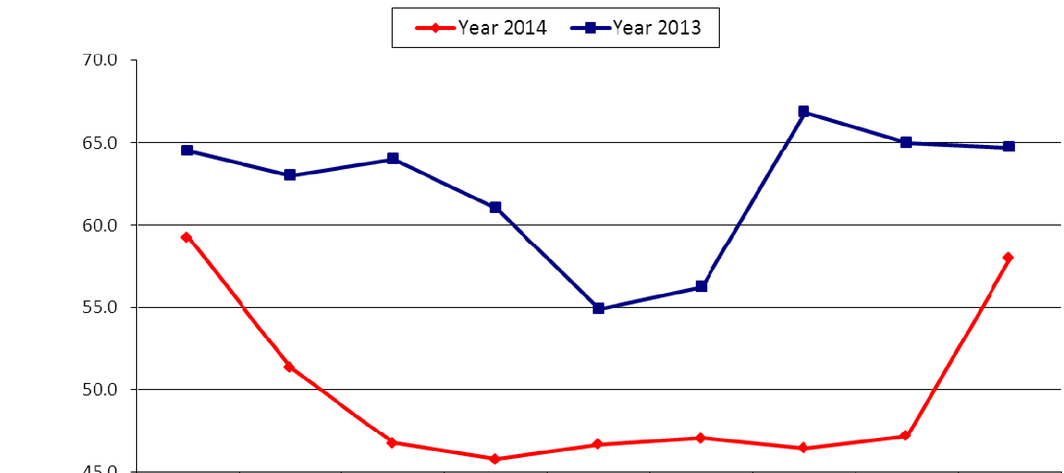
Brent performance (€/barrel)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Year 2014	79.5	79.7	77.8	77.9	79.8	82.1	78.6	76.3	75.4
Year 2013	85.0	87.0	83.6	78.2	78.9	78.0	82.5	83.6	83.8

The Power Exchange closed the third quarter of 2014 with an average price of 50.5 €/MWh. This value, as also seen in the two previous quarters, is the lowest since start-up of the IT platform. In terms of economic trend, on the other hand, the price rose (+8.7%) compared to the second quarter. If 2009 seemed to be the worst year for electrical energy demand with a decline in quantities of -5.7% compared to the previous year, 2014 at present seems to be the year of the lowest prices on the Italian exchange platform. During the quarter demand essentially fell by -2.8% (-0.8 TWh) compared to 2013 and by -3% since the start of the year (-7.2 TWh). Also note the off trend for September during the quarter under review: demand saw an upturn of +0.4%, though this was due to one business day extra compared to the same month in 2013. The price increased by +22.9% to reach a monthly average of 59.6 €/MWh from the 47.2 €/MWh recorded in August (+12.4 €/MWh).
The decline in the single national price in the first nine months was -20.0%. In absolute terms this was -12.4 €/MWh, whereas the floor reached was 49.8 €/MWh.

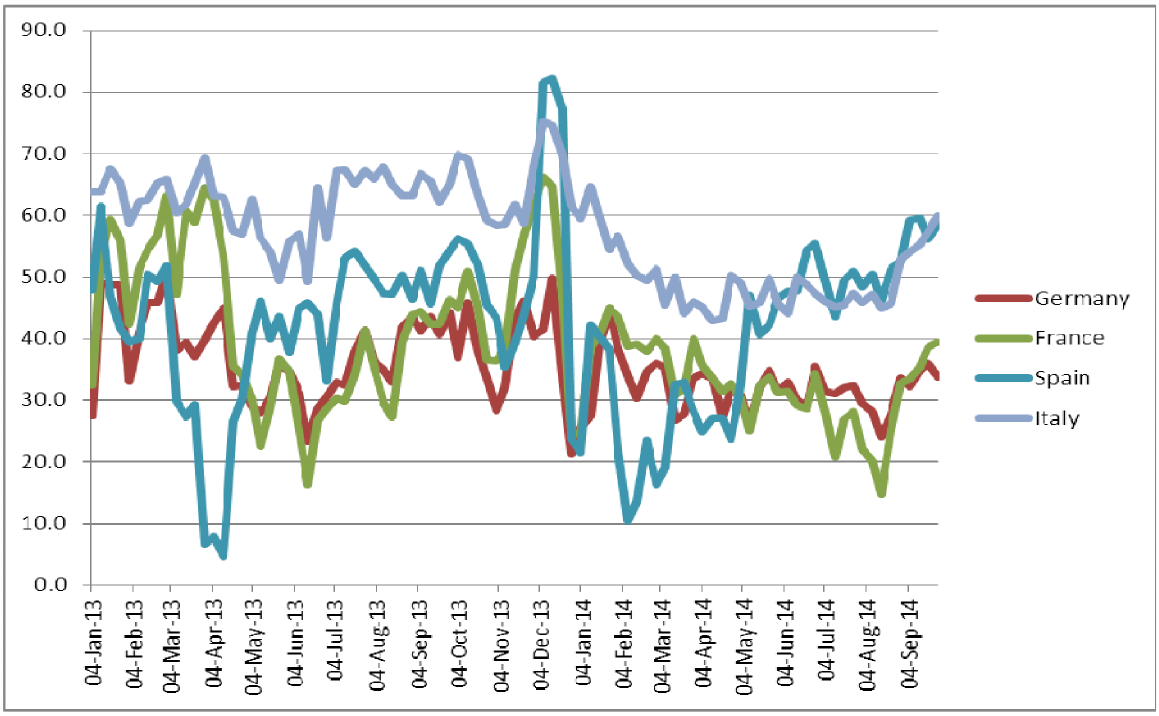
Average purchase price on the power exchange (MGP – Day-Ahead Market)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Year 2014	59.3	51.3	46.7	45.8	46.7	47.0	46.4	47.2	58.0
Year 2013	64.5	63.0	64.0	61.0	54.9	56.2	66.9	65.0	64.7

As regards regional prices, during the first nine months of the year a general decline was seen in all areas compared to last year. In particular, the decrease relates to the central northern region (-22.5%), with the lowest drop in Sicily (-12.9%). As in previous years, the southern region saw the lowest price (-10%) compared to the single national price.

In the first nine months of 2014 the main European power exchanges recorded an average price of 34.6 €/MWh compared to an average Ipex single national price of 49.7 €/MWh, with a spread of 15.1 €/MWh narrower than the 21.3 €/MWh of 2013.



Power exchange liquidity from January to September 2014 was 141.0 TWh, around 66.8% of volumes purchased.
The following table compares available IDEX average monthly future prices for products for the third quarter of 2014. In the three months from July to September increases were recorded in all the prices. Specifically, for quarterly December 2014 prices the monthly average value rise from 55.6 €/MWh in July to 59.0 €/MWh in September. Annual future prices (December 2015), which stood at 58.1 €/MWh in January, dropped to 53.8 €/MWh in September (-4.3 €/MWh).

July 2014 futures		August 2014 futures		September 2014 futures	
monthly	**€/MWh**	**monthly**	**€/MWh**	**monthly**	**€/MWh**
Aug 2014	49.0	Sep 2014	48.7	Oct 2014	55.7
Sep 2014	49.3	Oct 2014	52.3	Nov 2014	60.4
Oct 2014	52.2	Nov 2014	59.2	Dec 2014	61.4
quarterly	**€/MWh**	**quarterly**	**€/MWh**	**quarterly**	**€/MWh**
Dec 2014	55.6	Dec 2014	57.3	Dec 2014	59.0
Mar 2015	56.3	Mar 2015	58.1	Mar 2015	58.8
Jun 2015	48.0	Jun 2015	48.9	Jun 2015	49.0
Sep 2015	52.2	Sep 2015	53.2	Sep 2015	52.8
annual	**€/MWh**	**annual**	**€/MWh**	**annual**	**€/MWh**
Dec 2015	52.7	Dec 2015	53.7	Dec 2015	53.8

Source: RIE on IDEX data

Natural gas market

The first nine months of 2014 again saw a strong drop in natural gas demand, 5.9 billion m³ less consumed than in the previous year (-11.9%). The mild winter led to a reduction in withdrawals from the distribution networks of 3.5 billion m³ (-15%), whilst the use of power plants fell by 2.4 billion m³ (-15.6%). A further drop in electrical energy demand (-3.0%; -7.2 TWh) due to the persisting economic crisis (-0.3% the change in GDP forecast for 2014), hydroelectric production higher than last year (+10%; +4.2 TWh) due to the rainfall that characterised the year, a new growth in photovoltaic (+8.9%; +1.6 TWh), competition from coal and a slight balance in the negative foreign balance all penalised the use of gas in generating electrical energy. Sector consumption has now halved compared to 2008 (-12.4 billion m³). Withdrawals for industry, however, were just 0.5% higher than in 2013. A year-end forecast for consumption, assuming normal temperatures, suggests below 64 billion m³ compared to 70.1 billion m³ during 2014.

On the supply side, imports fell by 6.2% whilst national production saw a decline of 7.2%. The percentage decreases are lower than those for consumption, explained by the reduced winter use of gas in storage. Approximately 49.8% of imports came from Tarvisio (mostly Russia), 17.8% from Passo Gries (Northern Europe), 13.7% from Mazara del Vallo (Algeria), 11.2% from Gela (Libya) and 7.5% from the Rovigo regasification terminal (Qatar). Compared to 2012, when they represented 30-35% of total volumes imported, in 2013 and 2014 inputs to Mazara del Vallo have seen a strong decrease, whilst volumes through Tarvisio have risen to represent 50% of the total (previously 30-35%). This is due to the renegotiation obtained from importers, in terms of volumes and prices, for Take or Pay contracts, an objective probably facilitated by the difficulties in Algeria of maintaining the same export levels as in the past. However, the Italian system's dependence on Russia has increased. But in September a reduction in volumes was seen in Tarvisio in absolute and percentage terms (around 30%). This should be considered in relation to the methane flows and counterflows in Eastern European countries as a result of the failure to reach an agreement on gas supply between Russia and the Ukraine, which led to lower volumes on the TAG gas pipeline to Tarvisio. At the same time, an increase in volumes was seen at Passo Gries which, during the month, had a 40% impact on total imports compared to an annual average for 2014 of 18%, partly offsetting the lower volumes from Russia, together with a reduced need for placement in storage compared to 2013. At the end of September the storage sites were filled to 93% of their assigned capacity.

Application/sources of natural gas in the period January-September 2014 and comparison with previous years

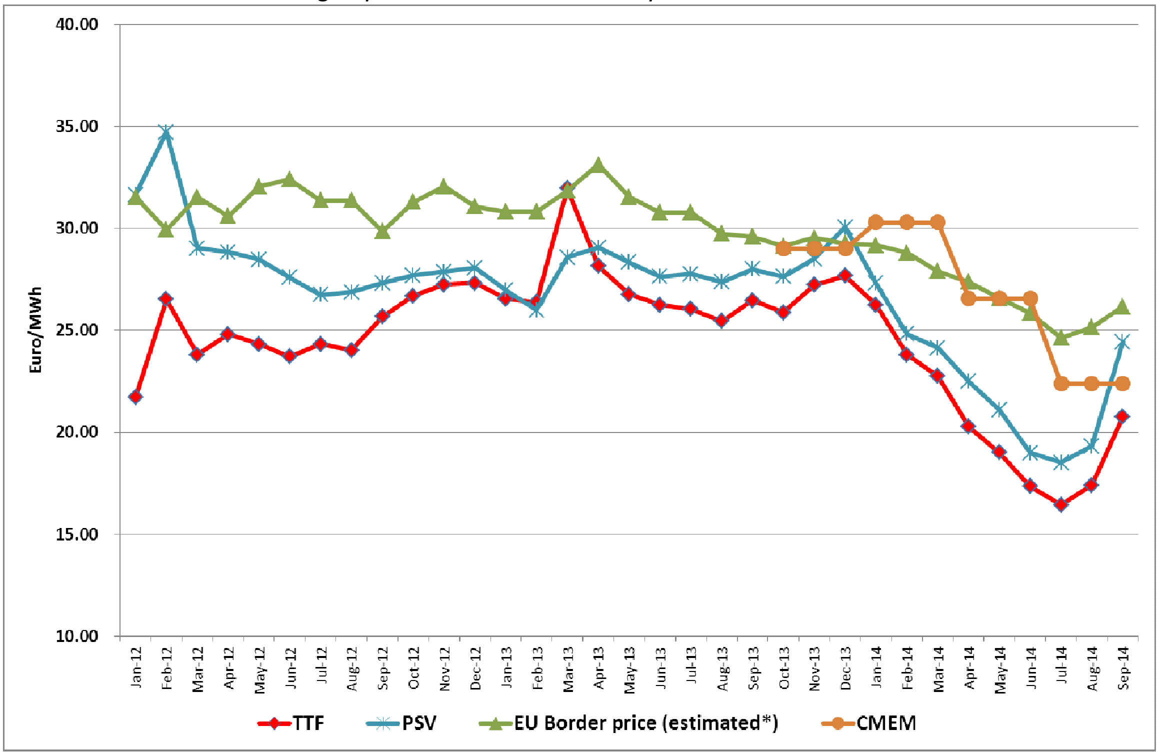
January-September	*2014*	*2013*	*2012*	2011	2008	*% chg '14/'13*	*% chg '14/'12*	*% chg '14/'11*	*% chg '14/'08*
GAS WITHDRAWN (Bn m³)									
Distribution plants	19.8	23.3	23.0	22.5	22.4	-15.0%	-13.9%	-11.9%	-11.3%
Industrial use	9.8	9.7	9.9	10.0	11.2	0.5%	-1.5%	-2.4%	-13.0%
Thermoelectric use	12.8	15.2	19.2	21.2	25.2	-15.6%	-33.2%	-39.6%	-49.3%
3rd-party networks/system consump. (*)	1.2	1.3	1.9	1.8	2.3	-7.3%	-36.3%	-33.7%	-48.5%
Total withdrawn	**43.6**	**49.5**	**54.0**	**55.5**	**61.1**	-11.9%	-19.2%	-21.5%	-28.7%
GAS INPUT (Bn m³)									
National production	5.2	5.6	6.2	5.9	6.9	-7.2%	-15.4%	-12.2%	-24.9%
Imports	42.0	44.7	51.3	53.5	56.5	-6.2%	-18.2%	-21.6%	-25.7%
Storage	- 3.6	- 0.9	- 3.49	- 3.9	- 2.3	ns	ns	ns	ns
Total input	**43.6**	**49.5**	**54.0**	**55.5**	**61.1**	-11.9%	-19.2%	-21.5%	-28,7%

(*) Includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.

Source: Processing of Snam Rete Gas figures, provisional for September 2014

In Europe, long-term contract renegotiations tend to drive values towards the hub prices. However, from January to July the hubs saw a strong decline as a result of a mild winter with low use of storage in a context of weak demand even for thermoelectric and industrial use, later recording a partial upturn in September, especially in spot prices but also in futures. Therefore in the third quarter the average difference between prices at the main hubs in the North and the border prices associated with long-term contracts was still significant (roughly 20-25%). The rise in short-term prices in September, which continued at the beginning of October, was primarily due to fears of repercussions of the Russia-Ukraine crisis on European supplies as the winter season approaches.

Natural gas price trends on the European wholesale markets



** Estimated values also based on World Gas Intelligence figures*
Note: the C_{MEM} prices were translated into €/MWh on the basis of heating power of 38.52 Mj/Sm³
Source: RIE processing of Platts, AEEG and WGI data

Despite the increase, however, spot prices remained below the level of September 2013. The Dutch TTF, continental Europe's main hub, which in July had dropped to 16.4 €/MWh rose to 20.8 €/MWh in September, later reaching around 24 €/MWh at the beginning of October, but remained below the values for the same period of 2013 when a figure of 26 €/MWh was recorded. After dropping to 18.5 €/MWh in July, the Italian VEP - less liquid and more "exposed" to Russian supply than the northern European hubs - saw a stronger increase in September (+25.5% vs. +19.3% for the TTF) and reached a monthly average of 24.4 €/MWh which rose to almost 27 €/MWh at the beginning of October. Consequently, the difference between the VEP and TTF increased during the quarter which, after seeing spot prices of around +1 €/MWh at the beginning of the year, rose to +3.7 €/MWh in September and went on to reach 5-6 €/MWh at the beginning of October. On the "Q1 2015" forward the delta was close to 3 €/MWh.

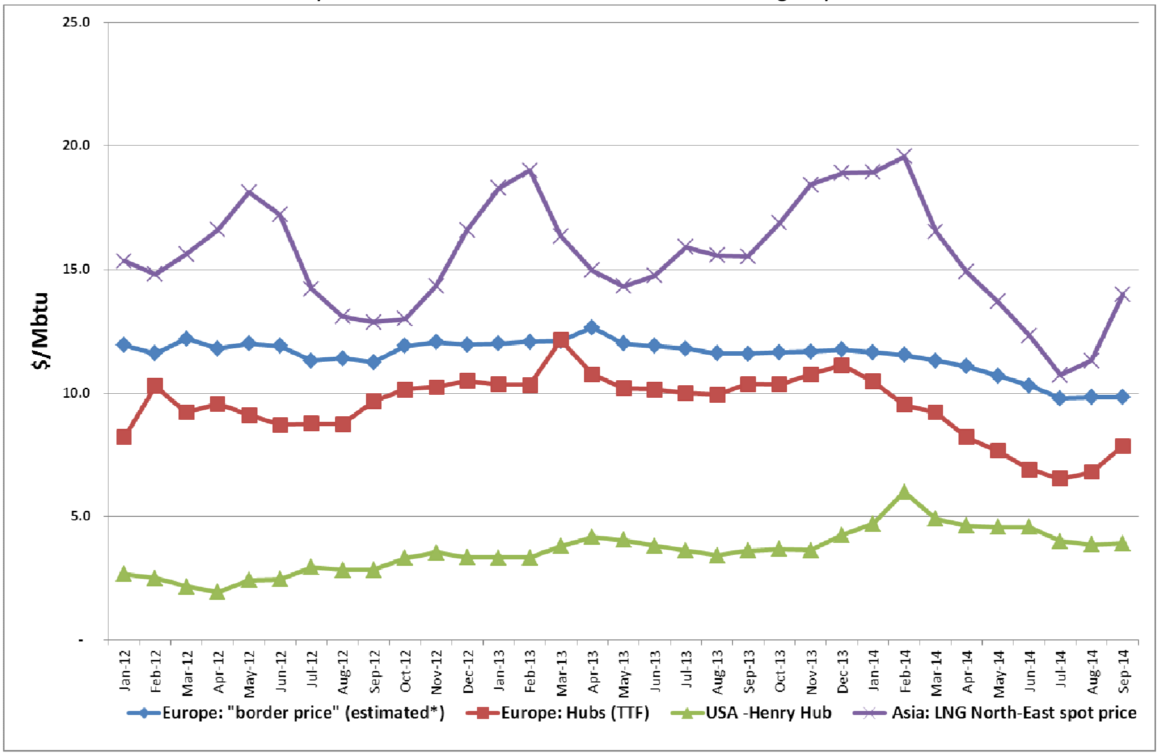
The balancing market (PB-Gas), another expression of short-term gas prices on the Italian wholesale market, recorded values higher on average than those of "over the counter" transactions at the VEP by approximately 1.1 €/MWh on average during the period, practically in line with previous quarters. The "C_{MEM} component", reflecting the gas procurement cost in the protected market price and defined by the AEEGSI from 1 October 2013 on the basis of TTF forward prices ("carried forward" to the VEP with the addition of special transport components), was 23.95 Eurocents/m³ (22.4 €/MWh), later rising to 28.96 Eurocents/m³ from 1 October (27.1 €/MWh).

The final outcome of the enormous transition stage currently experienced by the European gas pricing contractual model is still not clear. However, the results of repeated long-term contract renegotiations with "Take or Pay" clauses now seems to be headed towards a departure from the old formats and consolidation of the new formats, characterised not only by different pricing formulas, but also by different clauses on flexibility and contractualised volumes than in the past.

At international level in 2014, gas market prices maintained strong “regional” differences due to differences between the local market conditions and in the balance between supply and demand, different pricing systems and transport costs. In September 2014, US prices were less than half those of Europe and less than a third of the Asian prices.

In Asia, after touching the 20 $/MBtu level at the start of the year and exceeding the long-term contract values for that region, during the third quarter LNG spot prices were down to 11-12 $/MBtu, then recovered in September to around 14 $/MBtu. However, the current demand/supply conditions suggest that for the winter the peaks seen last season will not be reached. In the USA, Henry Hub prices for the third quarter were around 3.9 $/MBtu, slightly up on the approximate 3.6 $/MBtu recorded in the same period last year.

Comparison between international natural gas prices



** Estimated values based on World Gas Intelligence - Platts estimates and readings*

Source: RIE processing of Platts data

Information is provided below on the main new regulations in the electrical energy and gas sectors. Reference should be made to the next paragraph for a more complete analysis.

Electrical energy

AEEGSI Resolution no. 424/2014/R/eel of 7 August 2014, “Extended validity of the 2012-2014 regional division of the main network to 2015”

With reference to the regulation governing the division of the Italian electrical energy market network, by Resolution no. 265/2014/R/eel of 6 June 2014 the AEEGSI postponed to 30 September 2014 the date planned for Terna’s submission to the AEEGSI of the proposed division of the main network for the three-year period 2015-2017.

Against this provision, with a view to achieving the objective of extending the market coupling to all countries around the northern border within the first few months of 2015, the GME (electrical energy network operator) had however demonstrated to the Regulator the need to define and approve the new regional configuration by the beginning of September 2014, pointing out that any delay in this respect would jeopardise the correct market coupling operations management based on the new European supply selection algorithm (Euphemia), developed as part of the Price Coupling of Regions (PCR) project.

Given the considerable uncertainties about the elements on which future base scenarios should be constructed for defining the new Italian regional configuration, in addition to the opportunity of testing Euphemia's new capacity for managing regional configurations more in line with the physical limits of the network, the Authority has stated the need to very carefully reassess, based on specific further study, the criteria and scenarios used until now to divide the main network into regions. As these further studies, according to opinions expressed by the Regulator, call for a period of time incompatible with that envisaged for start-up of the coupling along the northern border, by this Resolution the AEEGSI considered it appropriate to extend the current regional configuration to all of 2015, thereby guaranteeing operators the application, albeit transitional, of tried and tested regulations.

Approval of the "2014 Italian Plan of Action for Energy Efficiency" on 7 July 2014
The 2014 PAEE describes the energy efficiency targets set for Italy up to 2020, the policy measures implemented to achieve them and the results achieved up to 2012.
In particular, taking into account the European Commission's completion guidelines and in accordance with the contents of the National Energy Strategy (NES), the Plan illustrates the national objectives of reducing primary and final consumption of energy and specifies final energy savings expected up to 2020 for each economic sector and by key energy efficiency promotion tool.
With respect to the overall savings expected by 2020 (15.50 million TOE per year), the sector breakdown requires that 23.7% should come from residential, 7.9% from services, 32.9% from industry and 35.5% from transport.

Gas

The Ministry for Economic Development Decree of 3 September 2014 accepted the request of the OLT Offshore LNG Toscana regasification terminal to waive the exclusion of third party access, offered under the Ministerial Decree of 28 August 2009, with effect from 20 December 2013, the commercial start-up date. The Decree of 3 September identified OLT as an essential infrastructure, indispensable to national gas system safety, that can make a significant contribution to the economic convenience and competitiveness of natural gas supply.

AEEGSI Resolution no. 415/2014/R/Gas of 7 August 2014 ("Closure of preliminary investigation supplements on regasification service tariffs for OLT Offshore LNG Toscana S.p.A., for the transitional period October 2012-December 2013 and for all of 2014") approved OLT's regasification service tariffs for the transitional period October 2012-December 2013 and for 2014.

AEEGSI Resolution no. 458/2014/R/Com of 25 September 2014 ("Update, from 1 October 2014, of tariff components to cover overheads and additional components for the electrical energy and gas sectors"), taking into account the provisions of the Ministerial Decree of 3 September on the strategic nature of OLT and the revenue recognised in the aforementioned Resolution no. 415/2014/R/Gas, has estimated the guarantee factor attributable to OLT for the period 2013-2014 as a maximum of approximately Euro 45 million.

AEEGSI Resolution no. 462/2014/R/Gas of 25 September 2014 ("Update of the QVD component of the economic terms of the natural gas protection service") has established a change with effect from 1 January 2015 in the values and methods of application to end customers in the protected gas market of the component to cover retail sales costs (the QVD), comprising a fixed quota in Euro per year per supply point and a variable quota in Eurocents/m^3 consumed. This is to take into account the growing costs associated with customer default on payments which is attributed to the variable quota of the component. Compared to the values currently in force, from 2015 the variable quota will have a greater impact (from the current 0.7946 Eurocents/m^3 to 2.518 Eurocents/m^3), whilst the fixed quota will reduce (from Euro 57.35 to Euro 41.74 per year), giving an overall increase of around Euro 8.5 per year in reference to a typical consumption of 1,400 m^3/year.

AEEGSI Resolution no. 460/2014/R/Gas of 25 September 2014 ("Update for the quarter 1 October-31 December 2014 of the economic terms for the natural gas supply to the protected service and amendments to the TIVG") has amended the additional variable component for the fourth quarter of

2014 on QT_{MCV} transport costs (from 0.295 Eurocents/m^3 to 1.1 Eurocents/m^3) to adjust it to the new total amount to cover costs deriving from the regulatory system applied to the storage service and affecting the transport tariff.

Article 30-bis, **Italian Law 116/2014** of 20 August 2014, the conversion from Law Decree 91/2014 (the "Competitiveness Decree") sanctions a further extension of the deadlines for publication of the area tender for assignment of the gas distribution service. Specifically, the deadlines for the first group of areas have been extended by eight months (giving them until 11 March 2015), the second, third and fourth groups by six months, and the fifth and sixth groups of areas by four months.

Resolution no. 367/2014/R/Gas of 24 July 2014 ("Tariff regulation for gas distribution and metering services for the regulatory period 2014-2019 for area management and other tariff-related provisions") has integrated the regulation of gas distribution and metering tariffs for the period 2014-2019, until now relating mainly to municipal management, with provisions regarding the tariffs to be applied to area managements to be set up after the service assignment tenders.

REGULATORY FRAMEWORK

Illustrated below are the main new regulations relating to the Group's sectors.

Regulations relating to local public services of economic importance

The regulations for local public services which derive from the regulatory framework are contained in the conversion law of Decree Law no. 179 of 18/10/2012, containing additional urgent measures for country growth, art. 34 as per conversion law - Law no. 221 of 17/12/2012, as amended by Decree Law no. 150 of 30/12/2013 which extends the deadlines envisaged in legal provisions, Art. 13 Deadlines relating to local public services, in force from 1 March 2014 and according to which:

1. As an exception to the provisions of art. 34, paragraph 21, Decree Law no. 179 of 18 October 2012, converted with amendments into Law no. 221 of 17 December 2012, with a view to guaranteeing service continuity, where the authority responsible for the assignment or, where envisaged, the governing body of a standardised ATO has already launched assignment procedures by publishing the report pursuant to paragraph 20 of the same article, the service is performed by the existing operator(s) until the new operator takes over, and in any event no later than 31 December 2014.

2. The failure to establish or designate a governing body for the ATO pursuant to article 3-bis, paragraph 1, Law Decree no. 138 of 13 August 2011, converted with amendments to Law no. 148 of 14 September 2011, or the failure to decide upon the assignment by the deadline of 30 June 2014, lead to the exercise of substitution powers by the Magistrate's Court responsible for the area, the expenses for which are borne by the defaulting authority, which arranges all the formalities necessary to complete the assignment process by 31 December 2014.

3. Failure to comply with the deadlines indicated in paragraphs 1 and 2 leads to termination of assignments that do not comply with requirements envisaged in European regulations as at 31 December 2014.

4. This article does not apply to services pursuant to article 34, paragraph 25, Law Decree no. 179 of 18 October 2012, converted with amendments to Law no. 221 of 17 December 2012 (natural gas distribution service per Legislative Decree no. 164 of 23 May 2000, electrical energy distribution service per Legislative Decree no. 79 of 16 March 1999, and Law no. 239 of 23 August 2004, together with municipal pharmacy management per Law no. 475 of 2 April 1968).

Direct assignments authorised as at 1 October 2003 to public companies listed on the stock exchange at that date, or to its subsidiaries, cease on the expiry date set out in the service contract. Assignments which do not envisage an expiry date shall cease, without extension option, on 31 December 2020.
The functions organising the local public network services of economic relevance, including those belonging to the urban waste sector, deciding on the form of management, determining the relevant utility tariffs, managing assignment and the associated control, are performed exclusively by the government bodies within optimal geographic areas or districts.

Directive 2014/23/EU on the award of concession agreements, issued by the European Parliament and Council on 26 February 2014, was published in the Official Journal of the European Union on 28 March 2014.
The directive should be adopted by the Member States by 18 April 2016 (even though there are interpretations of its immediate applicability among the Member States).
The concession assignment methods are:

a) private companies, selected by public tender;

b) directly to public-private companies if the private partners is selected via tender concerning (i) assignment of the position of partner and, at the same time, (ii) assignment to the private partner of operating duties related to service management;

c) directly to companies 100% owned by public entities, if the sole purpose of such companies is to provide services to the public partners and if the awarding body can exercise the same control that the body exercises over its own offices ("in house" companies).

Code on public works contracts

The text of Legislative Decree 163/2006 (Code on public works contracts) has been subject to additions and amendments. The more important new elements are:

- for bidding companies, a declaration of "going concern" arrangements with creditors is not cause for exclusion, but in order to participate specific approval is required from a legally appointed commissioner, if any, or from the court (specification introduced by Law 9/2014);
- commissioning bodies must divide the contracts into operating lots where possible and where economically convenient;
- setup of the National Database of Public Works Contracts, which will allow commissioning bodies to check general, technical and economic-financial capacity requirements. After a series of postponements, from 1 July 2014 it becomes mandatory to verify requirements through the database for standard sector tenders (municipal solid waste collection);
- in tenders awarded at the lowest price, that price has to be determined net of personnel costs;
- the anti-corruption law introduces new advertising obligations for Public Administrations and for companies controlled by Public entities, except listed companies and their subsidiaries, as specified in the Ministerial Circular no. 1/2014 for PAs and simplification;
- on conversion to Law 9/2014 of Decree Law 145/2013, art. 13 introduced regulations that allow commissioning bodies to pay subcontractors directly if the contractor is in serious financial difficulty proven by repeated delays in paying subcontractors or pieceworkers and confirmed by the commissioning body after consulting the contractor concerned. In addition, also for works contracts in progress, where arrangements with creditors are pending the commissioning body retains the right to arrange payments due for services provided by the contractor, by subcontractors and as piecework.

At the end of 2013 the European Commission issued Regulation no. 1336/2013 which for the two-year period 2014/2015 changed the application limits on procedures for the award of public works contracts: Euro 207,000 for ordinary sectors (instead of Euro 200,000) and special sectors; Euro 414,000 (rather than Euro 400,000) for all public supply and services contracts and Euro 5,186,000 (instead of Euro 5,000,000) for public works contracts.

Once they have been adopted (by 18 April 2016), the following EU directives published in the L.94 edition of the Official Journal of the European Union on 28 March 2014, will have a major impact on regulations:

- Directive 2014/24/EU of 26 February 2014 on public works tenders, issued by the European Parliament and Council, which repeals Directive 2004/18/EC;
- Directive 2014/25/EU of 26 February 2014 on public tender procedures for providers in the water, energy, transport and postal services sectors, issued by the European Parliament and Council, which repeals Directive 2004/17/EC;
- Directive 2014/23/EU on the award of concession arrangements (not previously regulated).

Lastly, note:

- the suppression of the AVCP, which was replaced by the ANAC pursuant to art. 19, Law Decree 90/2014, converted to Law 114/2014
- the ANAC Communication of 2 September 2014: "Application of art. 37, Law Decree no. 90 of 24 June 2014, as converted to Law 114/2014, on the transmission and disclosure methods to ANAC of variants to works in progress", which dictates the operating rules for commissioning bodies for the new obligation (this applies only to works contracts exceeding the thresholds of ordinary sectors).

  Law 114/2014 also introduces regulations on acceleration of the administrative process (Article 40) and on combating abuse of the process (Article 41) for cases of "vexatious litigation".
- Law Decree 133/2014 of 12 September 2014, the "Sblocca Italia" (Unblock Italy) Decree, which introduced regulatory changes to the code on public works contracts, of particular importance among which are the changes to Article 2 on "Procedural simplification for strategic infrastructure concessions assigned", to Article 4 on identifying "Simplification measures for works reported to be incomplete by local authorities and financial measures in favour of area bodies", and the plans for a series of bureaucratic simplification measures in favour of project bonds and for relaunch of the building industry.

Anti-mafia Code

Legislative Decree no. 159 of 6 September 2011 approved the code on anti-mafia laws and prevention measures, which consolidates all provisions of the fight against organised crime into one law.

Of particular note are: elimination of the so-called "atypical information", annual validity of anti-mafia information, rather than half-yearly, and obtainment of anti-mafia communications solely from the Prefecture, and no longer from the Chamber of Commerce.

Article 29 of Law Decree 90/2014, converted to Law 114/2014, which amends article 1, paragraph 52 of Law 190/2012, states that consultation of the "White List" set up by the Courts will become compulsory and that inclusion in the lists takes into consideration of anti-mafia disclosures and reports required under Legislative Decree 159/2011, also for activities other than those for which the lists were established. The activities defined as most at risk of infiltration are listed in article 1, paragraph 53, Law 190/2012 (e.g. operated equipment rental, transport and waste disposal on behalf of third parties, haulier services for third parties, mining, supply and transport of earth and inert materials, etc.).

Robin Hood Tax

Art. 7, of Decree Law no. 138 of 13 August 2011, converted to Law no. 148 of 14 September 2011, raised the "Robin Hood Tax", i.e. the additional IRES tax rate for companies operating in the energy sector, by four percentage points (from 6.5% to 10.5%) for the tax years 2011 to 2013 and extended it to operators that transmit/dispatch/distribute electrical energy and transport/distribute gas, and to companies that produce electrical energy through the predominant use of biomass, solar/photovoltaic and wind power. At present the additional charge has not been confirmed for years beyond 2013.

Cash transfers

The limit, above which transfers in cash or by bank or post office savings book payable to the bearer are not permitted, has been lowered to Euro 1,000.

Gas distribution

The Letta Decree of 2000 introduced competition to the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales.

Storage activities aim to compensate fluctuations in consumer demand within the national gas system so as to guarantee a strategic reserve of natural gas. Storage activities are performed by the company on the basis of concessions awarded by public tender procedures. Distribution activities are considered a public service and can only be performed by companies that do not already provide other services in the gas industry. The distribution service is currently assigned on the basis of public tenders for a maximum 12 years.

By Decree of 19 January 2011 the Ministry of Economic Development announced the district authorities for the natural gas distribution sector. The regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This regulation established that the chief Municipality in the Province acts as awarding party for management of the tender. The deadline for identification of the awarding party is set as six months from entry into force of the regulation (11 February 2012) for the Parma, Reggio Emilia, Turin 1 and Turin 2 ATOs, 24 months for the Genoa 2 ATO, 30 months for the Genoa 1 ATO and 36 months for the Piacenza 2 East ATO.

The related tenders must be launched within 15 months of the above deadlines by the chief Municipality in the province, or within 18 months by an entity identified by the Municipalities covered by the district authority (if this does not include the chief Municipality).

In 2013 the "Decreto del Fare" (action decree, Decree Law no. 68 of 21 June 2013) introduced a number of amendments to the "criteria regulation", which defines the basic regulations for conducting sector-related tender procedures. The peremptory nature of deadlines is envisaged for the nomination of the commissioning body, with a penalty for failing to meet the deadlines and the strengthening of substitution powers through the appointment of an "ad acta commissioner". The time limits indicated for launching tenders were later extended on a differentiated basis.

Article 1, paragraph 16 of Law Decree 145/2013, converted to Law no. 9 of 21 February 2014, states that "Deadlines envisaged in article 4, paragraph 3, Law Decree no. 98 of 9 August 2013" have been extended by a further 4 months. The deadlines referred to in Annex 1 to the regulation pursuant to Ministry for Economic Development Decree no. 226 of 12 November 2011, on areas covered by the third grouping in Annex 1, and the respective deadlines pursuant to Annex 3 of the regulation, are extended by four

months". Article 30-bis, Law no. 116 of 11 August 2014 then further extended the deadlines by 8 months for the first group of areas, and by 6 months for the second, third and fourth groups.
The launch of tenders for ATEMs is scheduled as follows:
Reggio Emilia - the tender extended by two years due to the earthquake (to 11 November 2015) has not changed
Parma - by 11 March 2015
Piacenza - 2nd half of 2015
Turin 2 - 11 June 2015
Genoa - 1st half of 2016

By means of resolution 382/2012/R/gas, the standard service contract layout was published for natural gas distribution.
Amongst the major changes in the regulatory framework of the gas distribution sector, the most important are the measures adopted by the AEEG regarding the following issues:
distribution and metering tariffs;
distribution and metering service.
Article 37 of the "Sblocca Italia" Law Decree envisages "Urgent measures for the procurement and transport of natural gas" and Article 38 "Enhancement measures for national energy resources".

Default service
By means of resolution ARG/gas 99/11, the authority had introduced provisions for the natural gas retail sale market, with particular reference to the purchase methods and loss of responsibility for withdrawals, to regulation of non-fulfilment of payment obligations by end customers (default) and to completion of the envisaged structure regarding last resort services, regulating the default service aimed at ensuring the balancing of the distribution network in relation to withdrawals of gas made directly by the end customer (without a supplier), that owns the supply point for which the conditions are not met for the commissioning of a supplier of last resort, or it is, in any case, impossible to commission a supplier of last resort.
Through resolution 352/2012/R/gas, provisions were adopted to complete the regulation of the default service, establishing the remuneration of the distribution company that provides the default service and the entry into force of the regulations governing the remuneration of the default service, fixed at 1 January 2013, taking into account Ministerial Decree of 3 August 2012, which aimed at including, under end customers entitled to use a supplier of last resort, also customers that have remained without a supplier based on personal choice and that are owners of supply points that cannot be disconnected.
By means of judgment no. 3296 of 29/12/2012 of section III of the Regional Administrative Court of Lombardy, resolution 99/11 was deemed unlawful given that, in breach of the EU and national principle of unbundling, also functional, of distribution activities and gas supply activities, it introduced the default service, making gas distribution companies responsible for it.
The AEEG submitted an appeal with an application for monocratic precautionary measures against the judgment of the Regional Administrative Court. On 28 January 2013, the Council of State upheld AEEG's appeal on a preventive basis, and suspended the effects of the judgment of the Regional Administrative Court of Lombardy, setting the hearing on the merits of the case for 19 February 2013. Following the suspension decision handed down, AEEG saw fit to publish resolution 25/2013/R/gas on 30 January 2013, "Urgent provisions, in implementation of the monocratic decrees of the Council of State on 28 January 2013, concerning the default service on natural gas distribution networks".
Given the setup of a technical roundtable with the AEEG, adjournment of discussion of the appeal was requested in order to be able to continue the work of the roundtable commenced with operators in the meantime.
The Council of State then adjourned discussion of the precautionary suspension application to the Council hearing of 9 July 2013.
At the hearing of 9 July 2013 the Council of State set the date of the hearing for discussion of the merits of the appeals filed by the AEEG against the Milan Regional Administrative Court judgments of December 2012 as 4 March 2014.
On 21 November 2013 the AEEG adopted another resolution, 533/2013/R/GAS, on regulations for default. On 21 January 2014 an appeal was filed based on additional grounds for its cancellation.
Subsequently the following were issued: on 6 June 2013 Resolution 241/2013/R/gas "Reform of regulations for the default distribution service, following the declared impossibility of performing all the

activities pursuant to the TIVG in relation to the balancing of direct withdrawals"; on 27 February 2014 Resolution 84/2014/R/gas "Regulations on payment delays and last resort services, amendments and additions to the TIMG and TIVG; on 29 May 2014 Resolution 246/2014/R/gas "Valuation of natural gas withdrawn at the supply points providing the default distribution services following failure to perform physical disconnection".
By judgment filed on 12 June 2014, the State Council accepted the AEEG appeal against the judgments of the Milan Regional Administrative Court which in December 2012 pronounced Resolution 99/11 to be unlawful and ordered its cancellation.
In short, in accepting the AEEG defence, the State Council considered that the default service is attributable to the balancing service and cannot qualify as sales activity, but rather as ex post settlement of objective debt positions arising as a result of withdrawals made by the customer that has remained connected to the distribution network.
This also in consideration of the fact that the typical risk associated with sales activity does not exist, as the arrears of the end customer served are almost fully absorbed and borne by the community.

Electrical energy distribution
Legislative Decree no. 79 of 16 March 1999 (the "Bersani Decree") established a general regulatory framework for the Italian electricity market which gradually introduced competition in the production of electrical energy and sale to eligible customers, against the retention of a regulated monopoly arrangement for transmission and distribution.
Specifically, the Bersani Decree:

- deregulated production, imports, exports, purchases and sales of electrical energy from 1 January 2003, provided that no company is authorised to produce or to directly or indirectly import more than 50% of the total electrical energy generated or imported into Italy, with a view to increasing market competition in the production of electrical energy;
- envisaged the establishment of the Acquirente Unico (single buyer), which must sign and manage supply contracts, with a view to guaranteeing the necessary generation capacity and continuous supply of electrical energy, the safety and efficiency of the entire system and equal treatment in terms of tariffs;
- envisage the setup of the Power Exchange, a virtual marketplace in which producers, importers, wholesalers, distributors, the national grid operator, the Acquirente Unico and other free market operators can buy and sell electricity at set prices through a tender procedure;
- envisaged the creation of an entity to manage the Power Exchange (i.e. the GME or electricity market operator) and assigned transmission and dispatch activities under concession to the national transmission network operator (Terna), whilst electrical energy distribution activities are performed under concession granted by the Ministry for Economic Development.

Law no. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission network.
Measures were adopted in 2007 to guarantee unbundling.

Tariff structure for transmission, distribution and metering

The AEEG established a tariff regime that entered into force on 1 January 2000. This regime replaced the "cost plus" system with a new "price cap" mechanism that sets a limit on annual tariff increases corresponding to the difference between the inflation rate and the increase in productivity achievable by the service provider, together with additional factors such as quality improvement. According to the price cap method, tariffs should reduce by a fixed percentage each year in order to encourage regulated operators to improve efficiency and gradually pass on their savings to the end customer.

2012 was the first year of the fourth regulatory period (2012-2015), in which the provisions that regulate the main electrical energy distribution activities are applicable, which apply to a market that is now fully deregulated.

These activities are:

1) transmission, distribution and metering service tariffs (resolution ARG/elt 199/11)
2) social tariff (resolution 402/2013/R/com replaced resolution ARG/elt 117/08 with effect from 1 January 2014)
3) service quality (resolution ARG/elt 198/11)
4) default (resolution ARG/elt 4/08).
5) switching (resolution ARG/elt 42/08)
6) regulation of physical and economic items of the settlement dispatching service (resolution ARG/elt 107/09)
7) unbundling (resolution ARG/elt 11/07)
8) compensation system (resolution ARG/elt 191/09).

With regard to point 1), the mechanism of the average national tariff supplemented by equalisation (general and company-specific) is replaced by a single tariff per individual distributor.

With regard to point 2), in order to protect domestic customers with financial and physical problems, the simplification and removal of certain critical points in the electricity bonus regulations are envisaged.

As regards point 3), resolution 198/2011 (TIQE - integrated code on electrical energy quality) regulates the commercial and technical quality for 2012-2015.
The "rapid quote" mechanism entered into force in 2013 and new indicators for the replacement of faulty meters and for the restoration of the correct value.

With regard to point 4), the system defined by resolution 4/08 continues to apply to:
a) protect the receivables of vendors and safeguard providers;
b) the definition of specific regulations for the management of the suspension of supply in the event of the default of end customers, connected to the low voltage network, and not equipped with electronic meters, making provision for disclosure obligations for distributors.

As regards point 5), resolution 42/08 regulated the dispatching, transport and metering of electrical energy in the event of a change of vendor at the same active supply point, or assignment of a new or previously deactivated supply point to a vendor (switching).

As regards point 6), annex A to resolution ARG/elt 107/09 summarises in a single document (the Integrated Code on Settlements - TIS) all provisions regarding settlement, i.e. the settlement of the physical and economic items of dispatching (monthly settlement, annual adjustments, metering corrections, etc.) in order to obtain:
a) the correct accounting and economic valuation of energy withdrawn by each dispatching user;
b) the reduction of the economic and administrative impact for dispatching users due to metering corrections;
c) the accounting and administrative simplification for Terna and distributors.

As regards point 7), the "Integrated code of provisions of the Italian Authority for electrical energy and gas concerning administrative and accounting unbundling obligations for companies operating in the electrical energy and gas sectors and the associated publication and communication obligations (Integrated Code or TIU - Integrated Code on Unbundling) established the obligation of functional unbundling for vertically integrated companies - i.e. the company or group of companies that, in the electrical energy or gas sector, performs at least one activity under a concession agreement (e.g. the electrical energy distribution and/or gas) and at least one deregulated activity (e.g. the sale of electrical energy and/or gas) - essentially acknowledging the content of EU directives 2003/54/EC (for the electrical energy sector) and 2003/55/EC (for the gas sector).
The objective is to promote competition, efficiency and adequate levels of quality in the provision of services:

a) ensuring the neutrality of management of essential infrastructures for the development of a competitive market;
b) preventing discrimination between market operators regarding access to sensitive information and the use of infrastructures;

c) separating activities carried out in a competitive scenario from regulated activities (management of infrastructures), avoiding the cross transfer of resources and costs.

As regards functional unbundling, first and foremost, within the domain of a vertically integrated company, each regulated activity must be assigned to an Independent Operator, that must manage it with decision-making and organisational autonomy and by pursuing the objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.

The Independent Operator nominates a guarantor for the correct management of commercially sensitive information (so-called Data Protection Authority), which monitors the proper management of information (intended as commercially sensitive information, i.e. relevant for market competition).

In order to achieve these objectives the Independent Operator is equipped with a plan of obligations, a document containing a series of organisational and managerial measures whose minimum requirements are set by the Authority.

Furthermore, on an annual basis, the Independent Operator drafts an Annual Report on the Measures Adopted and sends it to the Authority.

As regards point 8), resolution ARG/elt 191/09 defined the “Compensation System”, which guarantees compensation to the outgoing vendor in the event of the non-collection of amounts due for the invoices issued in the last few months of supply, before the effective date of switching for the service provided.

Subsequent resolution ARG/elt 219/10 issues the provisions for the functioning of the Compensation System.

This system allows all vendors to claim compensation on the end customer, regardless of the change of vendor requested by said end customer.

Major hydroelectric shunt concessions

Constitutional Court sentence no. 205 of 4 July 2011 pronounced the illegal nature of the provisions of Decree Law no. 78 of 31 May 2010, converted to Law no. 122 of 30 July 2010, which extended major water shunting concessions for the production of electrical energy by five years, with the option of extension by a further seven years if a combined private/public company was established by certain provinces.

As a result of the declaration of constitutional illegitimacy, the concessions expiring on 31 December 2010 are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.

The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an interministerial decree in the process of being issued in agreement with the State-Regions Conference, in relation to the investments deemed necessary. The choice of the best bid for assignment of the concession will be based predominantly on the economic bid for the acquisition of water resources and on the increase in energy produced or installed power. For concessions already expired or those due to expire by 2017, the tender will be called within two years from the date of entry into force of the interministerial decree that will establish the criteria and the new concession will take effect from the fifth year after the original expiry and, in any case, no later than 31 December 2017. Ownership of the business unit relating to the exercise of the concession is transferred from the outgoing to the incoming concession holder, including all pertinent legal relations.

Integrated water service

The reform process of the integrated water service, which began with Law no. 36/94 (the Galli Law), was revised with the approval of Legislative Decree no. 152 of 3 April 2006, as amended by Legislative Decree no. 219 of 10 December 2010.

The regulations on management of the integrated water service are based on the following principles:

- establishment of an integrated system for management of the entire water cycle;
- identification by Regional Governments of ATOs (“Ambiti Territoriali Ottimali”, within which the integrated water services are to be managed. Each ATO is responsible for: (a) organising the integrated water service through a plan which, amongst other things, has to define the investment and management policies (the Area Plan), (b) identify an operator for the integrated water service, (c) determine the tariffs applied to users, (d) monitor and supervise the service and the activities conducted by the operator to guarantee correct application of the tariffs and the achievement of objectives and quality levels established in the Area Plan;

- organisation of the integrated water service is based on a clear segregation of duties between the various governing bodies. The state and regional authorities carry out the general planning. The local authorities supervise, organise and control the integrated water services system.
- Law no. 42/2010 provided for elimination of the Optimal District Authorities (ATOs) one year after its entry into force. The deadline was extended to 31 December 2012.
- The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
- With regard to ATO regulations, by Regional Law no. 23 of 23 December 2011 the Emilia Romagna Region set out the “Area organisation regulations for functions relating to local public environmental services”, which provides regulations on the governance of public environmental services, and in particular the area organisation of the integrated water service and integrated management of municipal waste in Emilia Romagna. It also states that on the basis of subsidiarity, differentiation and suitability principles the entire regional area constitutes an ATO in compliance with articles 147 and 200, Legislative Decree 152/2006.
- By Law no. 1 of 24 February 2014 the Liguria Region assigned functions for the organisation and management of the integrated water service and for integrated waste management.
- With regard to the IWS, the Law has identified 5 ATOs:
- Western ATO - Province of Imperia;
- Central-Western ATO 1 - Province of Savona;
- Central-Western ATO 2 - Province of Savona;
- Central-Eastern ATO - Province of Genoa;
- Eastern ATO - Province of La Spezia.

The Law (art. 10) extended the option for autonomous IWS management to municipalities with populations of up to 3,000 inhabitants. This provision was challenged by the Government (raising the question of constitutional unlawfulness) in that it conflicts with the legal provisions (article 148, paragraph 5, Legislative Decree 152/2006 - the Consolidated Environmental Act) that limit this option to municipalities with up to 1,000 inhabitants.

The Integrated Water Services segment was also affected by the famous Referendum of 12/13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Legislative Decree no. 152 of 13 April 2006 “Determination of the tariff for the integrated water service” only insofar as the portion envisaging that this should be “based on adequate remuneration of invested capital”.
This repeal did not produce direct and immediate effects on the tariffs, but was limited to changing the criteria to be adopted by the competent Authority in preparing the “Tariff Method” as now defined in the Ministerial Decree of 1 August 1996.
The Constitutional Court clarified that given the outcome of the Referendum the Regional Governments must identify the entity to replace the ATOs. This entity shall be responsible for assigning management of the water services in compliance with European principles on public tender procedures.
The functions concerning the regulation and control of water services were transferred to the Italian Authority for Electrical energy and Gas.
The Authority required a tariff structure by operator/area similar to the pre-existing one to be maintained during the temporary phase.

On 25 June 2013 (resolution 273/2013), the Italian Authority for Electrical energy and Gas approved a specific provision for the definition of the criteria for the calculation of the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011.
The decision made by the Authority is censurable from various points of view, in particular the fact that it conflicts with EU rulings that envisage coverage of this cost item. Instead, the Authority appears to have eliminated the return on invested capital from the tariff without envisaging any alternative means of covering the financial expense. By judgment issued on 20 February 2014, the Lombardy Regional Administrative Court accepted the plaintiffs’ claim (including IREN Acqua Gas) and pronounced annulment of AEEGSI Resolution no. 273/2013 for the reasons put forward. By Resolution no. 643 of 27 December 2013 the AEEG approved the “Water Tariff Method and completion rules” (MTI), containing the methods and parameters for calculating the costs (OPEX and CAPEX) that must provide adequate remuneration through the tariff applied to water service users.
The provisions of this Resolution are applicable from 2014 onwards.

By 31 March 2014 the authority responsible for the ATOs:

- defines objectives and (based on the Operator's recommendation) prepares the Plan of Action;
- prepares the tariff for 2014 and 2015;
- prepares the Economic and Financial Plan (covering the duration of the assignment), which must ensure that operational balance is achieved by the Operator;
- submits these calculations to the AEEG for final approval.

The "Sblocca Italia" Decree, still pending conversion to law, states that local authorities are obliged to invest in the governing entity (that replaces the ATO). Failure to have such an interest in the governing entity is punishable with the exercise of substitution powers by the Chairman of the Regional Government. The governing entity will be required to decide upon the management format from among those envisaged in European law, arranging assignment of the service in compliance with national regulations on public service organisation. The agreement governing relations between the governing entity and the integrated water service operator must be prepared on the basis of model agreements adopted by the AEEGSI. The option of sub-contracting the integrated water service has been introduced, but only subject to prior approval from the governing entity. For contractual relations already in place it envisaged that the agreements are integrated according to methods to be established by the AEEGSI. If the operators manage the service according to an award granted in compliance with regulations in force at the time and not declared terminated in accordance with law, the integrated water service operator will take over on the expiry date envisaged in the service agreement or other documents governing the relationship.

Waste management service

Integrated Waste Management represents all activities relating to the transportation, treatment and disposal of waste, including street cleaning and the management of these operations.
The general regulation applicable to the Integrated Waste Management services sector is established at national level in the Environmental Code (Legislative Decree 152/2006, as most recently amended by Ministerial Decree of 15/01/2014) to Legislative Decree 36/2003 (landfills), Legislative Decree 133/2005 (incineration and co-incineration), Presidential Decree no. 59 of 13 March 2013 (Single Environmental Authorisation), and at regional level by Emilia Romagna Regional Laws 25/99, 10/2008 and 23/2011.
As the termination date for the ATOs was 31 December 2012, in accordance with the above law the Emilia Romagna Region has set up the Emilia Romagna District Authority for water and waste management services in which all the municipalities and provinces in the region responsible for governing the entire regional area are members. This agency became operational in 2012.

Also note that the SISTRI system entered into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste. SISTRI penalties will apply from 1 January 2015.
The "Sblocca Italia" Decree envisages that within ninety days of its entry into force the Prime Minister will issue his own decree identifying the energy recovery plants and urban and special waste disposal plants, existing or to be constructed, that will create an integrated, modern management system for such waste with a view to self-sufficiently achieving national security and to overcoming the infringement proceedings for failure to implement European regulations for the sector. According to Legislative Decree 152/2006, as there are no catchment area restrictions for recovery plants, these must give priority to the treatment of urban waste produced in Italy and to heat load capacity, non-hazardous special waste or waste only hazardous to health must be treated, suitably adapting integrated waste authorisations within 60 days of publication of the Law Decree to the provisions of the law decree in accordance with the specified terms.

Tariff system for waste management services

The 2014 Stability Law established the IUC tax (single municipal tax) from 1 January 2014, comprising: municipal tax of a capital nature (IMU), a component referring to "indivisible" services (TASI) and the waste tax (TARI) destined to finance the cost of the urban waste collection and disposal service.
The prerequisite for the TARI tax is the ownership or possession of properties susceptible to producing waste and commensurate with the floor surface area of the property. The rates can be reviewed by the municipalities on the basis of service quality standards.

As an exception to art. 52 of Legislative Decree no. 446 of 15 December 1997, the option for Municipalities to assign assessment and collection services to entities which at 31 December 2013 "perform waste management services or TARES assessment and collection services" is reconfirmed.

Green Certificates, Energy Efficiency Certificates and the ETS

Green certificates

In accordance with art. 11 of Legislative Decree no. 79/99, producers and importers of electrical energy generated from non-renewable sources must introduce electrical energy produced from renewable sources into the network, equal to a portion of the electrical energy produced from non-renewable and non-cogeneration sources. The mandatory portion, initially set at 2%, in the period 2004-2006 was increased each year by 0.35 percentage points, whereas the annual increase for the period 2007-2012 was established as 0.75% by the 2008 Finance Act.

This obligation can also be fulfilled by purchasing on the market and subsequently returning to GSE for the cancellation of a corresponding quantity of green certificates. These certificates are assigned to electrical energy producers according to their production of electrical energy from plants powered by renewable sources, which began operations or were repowered after 1 April 1999 and qualified as IAFR (plants powered by renewable sources) by the GSE.

The eligible period to obtain recognition of green certificates, initially 8 years, was later extended to 12 years.

The 2008 Finance Act amended the regulation on green certificates, and the term of the recognition period for plants started up after 31 December 2007 was extended to 15 years. Differentiated rates were introduced according to the sources.

The AEEG identified 6 June 2013 as the end date for reaching the provisional cumulative annual cost of Euro 6.7 billion for photovoltaic incentives. Therefore from 6 July 2013 the provisions on photovoltaic incentive schemes ceased to apply.

The Gestore dei Servizi Energetici – GSE S.p.A. is responsible for implementing and managing the mechanism, and including the disbursement of the incentives to beneficiaries.

Ministerial Decree of 6 July 2012 establishes the new methods for incentivising the electrical energy production from plants powered by non-photovoltaic renewable sources, with power of no less than 1 kW. The incentives envisaged by the decree apply to new plants, fully reconstructed or reactivated plants, those subject to enhancements or upgrading, which enter into operations from 1 January 2013.

The new decree also governs the methods with which plants already in operation will transfer from the green certificates mechanism to new incentive mechanisms starting in 2016.

Tax concessions

Tax concessions for energy savings, consisting in amounts deductible from IRPEF (personal income tax) or IRES (business income tax), are permitted when works are completed to increase the energy efficiency level of existing buildings.

A deduction of 65% applies to expense incurred from 6 June 2013 to 31 December 2014 for energy performance upgrading works on existing buildings. This percentage will change to 50% for payments made between 1 January 2015 and 31 December 2015.

It should be remembered that the expense incurred prior to 6 June 2013 benefited from a 55% deduction. From 1 January 2016 a 36% tax benefit is envisaged for property restructuring costs.

Energy efficiency certificates (EECs)

Legislative Decrees 79/99 and 164/00 introduced the obligation for electrical energy and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy.

Arrangements have been made for the transfer to Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented relating to the EEC mechanism.

Emission trading system

In accordance with the Kyoto Protocol, from 2008 to 2012 industrialised countries and transition economies are committed to reducing the global emission of greenhouse gases by an overall 5%, compared to the levels for 1990.

The reduction targets, different for each member country, are 8% for the European Union and 6.5% for Italy.

To meet the reduction obligations established by the Kyoto Protocol, Directive 2003/87/EC has defined a trading system for the emission allowances of greenhouse gases within the European Union, i.e. the "Emission Trading System" (ETS). The Italian law implementing Directive 2003/87/EC is Legislative Decree no. 216 of 4 April 2006.

The Emission Trading System provides that a maximum limit is established for emissions from industrial plants producing greenhouse gas, by allocating each plant (through the National Assignment Plans) a given number of emission quotas, which give the right to emit a corresponding quantity of tonnes of carbon dioxide into the atmosphere during the year to which the quotas refer.

Legislative Decree no. 30 of 13 March 2013 introduced Directive 2009/29/EC into Italian law. This directive introduces new rules for the European ETS for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.

The new decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO_2. It also envisages the option of excluding small plants, introduced the option of establishing simplified rules on monitoring, reporting and inspections, and amended the certificate assignment methods by establishing that these are assigned via auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment will be by full auctioning, except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

CONCESSIONS AND ASSIGNMENTS

The Iren Group executes services under concessions/assignments in the following sectors:

- Natural gas
- Electrical energy
- Integrated water service
- Environmental service management

Distribution of natural gas

Genoa area

The natural gas distribution service in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is 100% owned by Iren Acqua Gas. These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are 24 months for the Genoa 2 ATO - Province - and 30 months for the Genoa 1 ATO - Genoa City and System.

Turin area

The services regarding methane gas distribution in the municipality of Turin and district heating distribution in the municipalities of Turin and Moncalieri will, as of 1 July 2014, be managed by Italgas and Iren Energia as a result of the spin-off of AES Torino.

These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for which is six months from entry into force of the regulation (11 February 2012) for the Turin 1 ATO - City of Turin - and the Turin 2 ATO - Turin System.

By agreement dated 29 December 2008, the municipality of Nichelino (Turin) assigned the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructures for the district heating service, for a period of 30 years, to the temporary association of companies established between Iren Energia S.p.A., Iren Mercato S.p.A. and AES Torino S.p.A., which together established Nichelino Energia S.r.l..

Emilia Romagna area

The methane gas distribution service in Emilia Romagna provinces is managed by Iren Emilia S.p.A. These assignments are currently operating under the extended regime pending the launch of public invitations to tender.

Other geographical areas

The Iren Group also operates in numerous other entities throughout Italy through assignments or concessions given to mixed capital companies in which Iren Group companies have a direct or indirect investment.

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% owned by the Consorzio G.P.O. of which IREN Emilia holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC); assignment expiring 31/12/2010;
- Municipality of Vercelli - ATENA S.p.A. (40% owned by Iren Emilia): assigned in 1999 and expiring 31/12/2010;
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% owned by Iren Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

These concessions are currently operating under the extended regime pending the launch of public invitations to tender.

Natural gas sales

Pursuant to the Letta Decree on unbundling, the IREN Group sells natural gas mainly through IREN Mercato, which absorbed Enìa Energia, acquiring the customers already served in the Reggio Emilia area.

This activity is also carried out through direct or indirect investment in seller companies including:

- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area;
- Atena Trading S.r.l. for the Vercelli area;

Electrical energy segment

AEM Torino Distribuzione manages the public electrical energy distribution service in the city of Turin under the terms of a ministerial concession. This concession expires on 31 December 2030.

AEM Torino Distribuzione S.p.A. distributes electrical energy in the Municipality of Parma. This concession expires on 31 December 2030.

Through its local business combinations, the Iren Group distributes electrical energy in the following main areas:

- Marche area, with ASTEA S.p.A.;
- Vercelli area, with ATENA S.p.A.

Integrated water service

Genoa area

Iren Acqua Gas holds the management assignment for the integrated water service in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

The management of the integrated water service in the municipalities of the province of Genoa is carried out by IAG through protected operators. The authorised and/or protected operators in the IREN Group that perform the function of operator are Mediterranea delle Acque S.p.A. (60% owned by IREN Acqua Gas), Idro Tigullio S.p.A. (66.55% owned by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).

Emilia Romagna area

The Iren Group provides the Integrated Water Service on the basis of specific assignments granted by the respective Local Authorities, governed by agreements signed with the competent ATOs.

Based on the laws of the Emilia Romagna Region, water service agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.
The management of the Integrated Water Services in the Parma and Reggio Emilia ATOs was transferred to Iren Acqua Gas. The latter uses Iren Emilia premises for its operations. Integrated Water Service management in Piacenza was transferred from Iren Emilia to Iren Acqua Gas in September 2011.
Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.

The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	AGREEMENT DATE	EXPIRY DATE
Genoa area	ATO/Operator Agreement	16 April 2004/5 October 2009	31 December 2032
Reggio Emilia	ATO/Operator Agreement	30 June 2003	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2025
Piacenza	ATO/Operator Agreement	20 December 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

Other geographical areas

The Iren Group also operates in numerous other activities throughout Italy in the Integrated Water Service sector through assignments or concessions given to mixed capital companies in which it has a direct or indirect investment. The main assignments and concessions are:

- Toscana Costa ATO - ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% owned by Iren Emilia) integrated water service in the Municipality of Livorno and other municipalities in the province.
- Marche Centro - Macerata ATO (ATO3). ASTEA S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% owned by Iren Emilia) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati.
- Biella-Casale-Vercelli ATO: ATENA S.p.A. (40% owned by Iren Emilia) for the Vercelli area.
- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by Iren Acqua Gas);
- Municipality of Imperia: AMAT S.p.A. (48% owned by Iren Acqua Gas);
- Alessandria ATO: ACOS S.p.A. (25% owned by Iren Emilia) for the Municipality of Novi Ligure.
- Cuneo ATO: Mondo Acqua S.p.A. (38.5% held by Iren Acqua Gas) manages the Municipality of Mondovì and 7 other municipalities in the Cuneo area.

Waste Management segment

The Iren Group provides waste management services on the basis of specific service assignments from the Local Authorities, governed by agreements signed with the provincial ATOs.
The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	AGREEMENT DATE	EXPIRY DATE
Reggio Emilia	ATO/Operator Agreement	10 June 2004	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2014
Piacenza	ATO/Operator Agreement	18 May 2004	31 December 2011 (*)
Turin	ATO/Operator Agreement	21 December 2012	30 April 2033 (**)

(*) Service extended until new agreements are defined
(**) the 20-year duration beginning from termination of the provisional operations of TRM S.p.A.'s thermal destruction plant.

In a temporary grouping of companies with F2i and Acea Pinerolese, the Iren Group was awarded the tender offer launched by the city of Turin in 2012 for the sale of 80% of the share capital of TRM S.p.A. and 49% of AMIAT S.p.A. Two SPVs were set up for the purchase of investments (TRM V and AMIAT V).
TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province.
AMIAT is the company responsible for waste collection and transport in Turin.

Services provided to the Municipality of Turin
On 31 October 2006, Iride Servizi S.p.A. took over the following from AEM Torino S.p.A.:
the agreement signed with the Municipality of Turin for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
the management services assignment for the municipal heating plants, expiring on 31 December 2014;
the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.
By resolution of 3 November 2010, the Municipal Council of Turin decided to assign service agreements to Iride Servizi for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017.
By resolution of 27 November 2012, the Municipal Council of Turin extended the assignment of these service agreements to 31 December 2020.

SIGNIFICANT EVENTS OF THE PERIOD

Issue of a Private Placement for Euro 100 million with 5-year maturity
On 11 February 2014 Iren S.p.A. successfully completed the issue of a Private Placement for a total of Euro 100 million with a 5-year maturity and coupon payments at 3% p.a.
The bonds, listed on the Irish Stock Exchange, are fully subscribed by Morgan Stanley and are reserved for trading with institutional investors.
This transaction follows the initial bond placement completed in 2013.

Tap Issue for the Private Placement transaction completed on 14 October 2013, with a Euro 50 million increase in the total
On 19 March 2014, Iren S.p.A. concluded the tap issue for the 4.37% fixed rate bond placement completed on 14 October 2013 and maturing 14 October 2020.
The bonds, listed on the Irish Stock Exchange, are reserved for institutional investors only.
This transaction offered Euro 50 million in additional funding over and above the Euro 210 million of the original issue (including the tap issue performed on 29 October 2013), with the same maturity and coupon payments but with a lower return (below 4%).

Takeover bid on Acque Potabili S.p.A.
On 24 September 2014 the Shareholders' Meeting of Acque Potabili S.p.A. approved the plan to merge Acque Potabili into Sviluppo Idrico.
The aim of the transaction is the delisting of Acque Potabili shares from the MTA market, to complete the reorganisation of Acque Potabili activities and achieve cost savings associated with the fact that listing-related charges will no longer apply. The merger into Sviluppo Idrico in particular aims to overcome restrictions associated with the fragmented management of concessions currently managed by Acque Potabili by achieving integrated management of the concessions held with those currently managed independently by IAG and SMAT.
As a result of the merger, all Acque Potabili ordinary shares will be cancelled and exchanged for ordinary Sviluppo Idrico shares.
Specifically, for the share swap Sviluppo Idrico will increase its own share capital by a maximum Euro 5,633,096 through the issue of a maximum 5,633,096 new ordinary shares, and will cancel without a share swap all the ordinary Acque Potabili shares owned by Sviluppo Idrico.
The Boards of Directors of the companies involved in the merger agreed upon a swap rate as follows: 0.212 ordinary Sviluppo Idrico shares with a nominal value of Euro 1.00 each for every ordinary Acque Potabili share with a value of Euro 0.10 each. No cash adjustments are envisaged.
The merger will offer Acque Potabili shareholders not participating in approval of the merger the right to sell back all or part of their shares.
In this respect, note that the liquidation value of the ordinary Acque Potabili shares on which the right of sell-back should be exercised has been established as Euro 1.105 per share. This value was calculated pursuant to the provisions of article 2437-ter, paragraph 3 of the Italian Civil Code with sole reference to the arithmetic mean (calculated by Borsa Italiana S.p.A.) of closing prices in the six months prior to the date of publication of the notice of call for the extraordinary shareholders' meeting of Acque Potabili held on 24 September 2014.
The effectiveness of the withdrawal will in any event be subject to the effectiveness of the Merger planned for 1 January 2015.

Spin-off of AES Torino
With effect from 1 July 2014 Iren Energia acquired direct ownership of the business unit relating to district heating distribution activities in the municipalities of Turin, Moncalieri and Nichelino, which are added to the district heating networks already owned in the cities of Genoa, Parma, Piacenza and Reggio Emilia.
The acquisition is the result of the agreement signed on 9 April 2014 by Iren Energia and Italgas, a 100% subsidiary of Snam, for the separation of natural gas and district heating distribution activities currently performed by AES Torino (a company 51% owned by Iren Energia and 49% by Italgas).
The separation of natural gas and district heating distribution activities was achieved by means of a non-proportionate partial spin-off of AES Torino, acquisition by the Iren Group of the business unit relating to district heating distribution activities and the Group's exit from the ownership structure of AES Torino.

On finalisation of the agreement, Iren Energia once again became the direct owner of the district heating network in the municipalities of Turin, Moncalieri and Nichelino, which with 56 million m^3 of district heating provided (to around 60% of residents) is the largest network in Italy and will consolidate the company's Italian leadership in the district heating segment with over 79 million m^3 served. The AES Torino spin-off will qualify as an exception envisaged for transactions with related parties according to the Consob Regulation and the Procedure adopted by the Iren Group on such matters.

Exercise of the call option on TRM V. S.p.A.

On 29 April 2014 the Board of Directors of Iren S.p.A. decided to exercise the call option from F2i Ambiente S.p.A. on a 24% interest in TRM V S.p.A., in which it already holds 25% and which is the parent of TRM S.p.A., the company entrusted with the task of designing, building and managing the waste-to-energy plants using urban and similar waste and serving the southern area of the province of Turin.
The transaction was finalised on 9 May 2014 for a price of approximately Euro 35.7 million.

IREN district heating receives the Piedmont ICT Innovation award organised by Smau

In May 2014 the Iren Group received the Piedmont ICT Innovation Award, awarded by Smau to the best among companies and public entities that have successfully innovated their business through digital technology with the aim of generating a virtuous mechanism of sharing experiences of excellence.

Approval of the 2013 Financial Statements and dividend distribution

On 18 June 2014 the Iren shareholders' meeting approved the 2013 Financial Statements and the distribution of a dividend of Euro 0.0523 per share, which was paid on 26 June 2014.

Bond issue on the European market for Euro 300 million

3 July 2014 saw completion of the placement on the Eurobond market of an inaugural bond issue in Public Placement format for a total of Euro 300 million.
The 7-year bond loan is listed on the Irish Stock Exchange and offers annual coupon payments at a fixed rate of 3.0%.
The transaction was of strong appeal to Italian and international institutional investors, with subscriptions corresponding to 2.5 times the total offered.
The bonds, with a minimum unit value of Euro 100,000, were placed at 99.225% of the issue price. The gross effective rate of return on maturity is 3.125%.
The issue of the bond loan helps to further improve the Iren Group's financial profile by extending the average maturity and decreasing the average cost of indebtedness.

Euro 75 million loan from Unicredit

On 28 July 2014, Iren S.p.A. took out a 4-year loan of Euro 75 million from Unicredit, partly to refinance a credit facility from the same bank.

OLT regasification plant recognised as a strategic infrastructure for national energy safety

Following the issue of the decree in mid-September by the Minister for Economic Development, which accepted the waiver of exemption from third-party access, the terminal of OLT Offshore LNG Toscana (46.79% owned by the Iren Group) was recognised as an essential and indispensable infrastructure for the safety of the National Gas System.

PREPARATION CRITERIA

CONTENT AND STRUCTURE

The consolidated interim report at 30 September 2014 was prepared in compliance with art. 154-ter "Financial reporting" of the Consolidated Finance Act ("TUF") introduced by Italian Legislative Decree no. 195/2007 based on which Italian lawmakers implemented Directive 2004/109/EC (known as the Transparency directive) regarding periodic disclosure and based on Consob communication no. DEM/8041082 of 30 April 2008. Said provision replaces those provided for by art. 82 "Quarterly report" and Annex 3D ("Quarterly report drafting criteria") in the Issuers' Regulation.
The accounting standards used to prepare the report are the "International Financial Reporting Standards – IFRS" issued by the International Accounting Standards Board ("IASB") and approved by the European Commission. "IFRS" also includes the International Accounting Standards ("IAS") still in effect, as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRC") and the previous Standing Interpretations Committee ("SIC").

ACCOUNTING PRINCIPLES ADOPTED

The accounting principles, measurement criteria and consolidation principles adopted when preparing the interim report are consistent with those used when preparing the Iren Group's Consolidated Financial Statements at 31 December 2013, to which reference is made for a complete description, except with regard to the "Consolidation Package", endorsed by the European Commission on 29 December 2012, which contains the following principles and amendments:
IFRS 10 - Consolidated financial statements
IFRS 11 - Joint arrangements
IFRS 12 - Disclosure of interests in other entities
Revised IAS 27 - Separate financial statements
Revised IAS 28 - Investments in associates and joint ventures

• IFRS 10 "Consolidated Financial Statements" replaces SIC-12 "Consolidation – Special purposes entities" and some parts of IAS 27 "Consolidated and separate financial statements". The new standard is based on the existing standards and aims at defining the concept of control as the key factor for including a company in the parent's consolidated financial statements. The control is obtained only if the investor has simultaneously: a) the power to manage the relevant activities of the investee through voting rights and/or agreements; b) the power to manage the exposure to future income of the investee (dividends, fiscal benefits, etc.); c) the power to influence the performance of the investee.

• IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". The new standard sets out that, in a joint venture, two or more parties hold joint control if the decisions on material activities require the unanimous agreement of the parties. IFRS 11 sets out two distinct types of arrangements:

- a joint venture (JV) is an arrangement in which the parties have rights to net assets covered by the arrangement. The joint ventures are recognised according to the equity method, as set out by IAS 28 "Equity investments in associated companies and joint ventures";
- a joint operation (JO) is an arrangement according to which the partners are not limited solely to an interest in the net income of the company, but also exercise asset-related rights and are required to meet liability-related commitments. In this case the assets/revenue on which the partner exercises such rights and the liabilities/costs to which it has a commitment are consolidated on a line-by-line basis.

• IFRS 12 "Disclosure of Interests in Other Entities" is a new and complete standard on additional information that shall be supplied on any type of equity interest, including disclosures on subsidiaries, joint arrangements, associates, special purpose entities and other entities of this type that are not consolidated.
• At the same time as introduction of IFRS 10 "Consolidated financial statements", a revised version of IAS 27 "Separate financial statements" was published which retains its role as the general principle of reference for separate financial statements. This standard applies in the measurement of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company.

Joint ventures, just as with the investments in subsidiaries and associates, can be recognised in the separate financial statements both at cost and on the basis of IFRS 9 "Financial instruments" (and IAS 39, Financial Instruments: Recognition and Measurement"). When a subsidiary, in accordance with the provisions of IFRS 10 "Consolidated financial statements", chooses not to prepare the consolidated financial statements, the separate financial statements must provide information regarding the investments in subsidiaries, associated companies and joint ventures, the main headquarters (and the registered office if different), their assets, the percentage owned in the single companies invested in and information regarding the method used to recognise them in the financial statements.

• After the issue of IFRS 11, IAS 28 "Investments in Associates" was amended to include equity investments in companies under joint-control in its scope of application, as from the effective date of the standard itself. IAS 28 Revised "Investments in associates and joint ventures", in fact, establishes that if an entity that exercises joint control or that has significant influence on another party, in the consolidated financial statements it must recognise its investment using the equity method.

The main effects for the Iren Group derive from the application of IFRS 11. In fact, this standard no longer allows the retention of proportionate consolidation of joint ventures as applied by the Iren Group until 31 December 2013. The consequences are seen in the deconsolidation of AES Torino, Iren Rinnovabili (and its subsidiaries), OLT Offshore LNG and Società Acque Potabili (and its subsidiaries), for which the equity method is now used.
The application of IFRS 11 has no effect on the net profit for the period or on equity presented in the consolidated financial statements. They result in the loss not only of the contribution to EBITDA of deconsolidated companies for a total of around Euro 62 million in the first nine months of 2013, but also of net indebtedness of around Euro 518 million at 31 December 2013.
Details of the effects on the statement of financial position of the application of IFRS 11 at 1 January 2013 and 31 December 2013 are provided in the Iren Group's Interim Report at 30 June 2014, to which reference should be made.

As a result of the above, the Directors considered it appropriate to prepare not only the financial statements according to international accounting standards in force, but also specific restated accounts that, with a line-by-line income statement, fully reflect the revenue and costs of district heating business in the city of Turin. The restated statements, in addition to providing information essentially in line with that provided before the new IFRS 11 became effective (when AES S.p.A. was proportionately consolidated), better reflect the strategic nature of the district heating business, in which the Iren Group is among Italy's leaders, and the role played by the Group in managing and developing district heating in Turin.
For the reasons stated above, the notes presented below on Iren Group performance in the first nine months of 2014 refer to the restated financial statements.

Preparing the interim report has required the use of estimates and assumptions that affect the values of revenue, expense, assets and liabilities. The actual outcome of occurring events might differ from these estimates.
Some measurement processes, especially those which are more complex, such as the calculation of impairment losses on non-current assets, are generally carried out fully only when drawing up the annual financial statements, or when all information required is available, except when there are impairment indicators which require immediate measurement of any impairment losses. Similarly, the actuarial valuations required for determining the Provision for employee benefits are carried out when drawing up the annual financial statements.

Lastly, the interim report is not subject to an accounting audit.

CHANGES IN THE SCOPE OF CONSOLIDATION COMPARED TO 31 DECEMBER 2013

The scope of consolidation includes the companies directly or indirectly controlled by the parent.

The changes in the scope of consolidation at 30 September 2014 derived from:

- application of IFRS 11, described in the previous paragraph, which led to the consolidation at equity of OLT Offshore LNG, Iren Rinnovabili (and its subsidiaries), Società Acque Potabili (and its subsidiaries) and AES Torino (up to 30 June 2014), previously proportionately consolidated;
- non-proportional partial spin-off of AES Torino S.p.A. As a result of this transaction, with effect from 1 July 2014 Iren Energia acquired direct ownership of the business unit relating to district heating distribution activities in the municipalities of Turin, Moncalieri and Nichelino, which are added to the district heating networks already directly owned in the cities of Genoa, Parma, Piacenza and Reggio Emilia.
  The investment in AES Torino, measured at equity until 30 June 2014 in accordance with IFRS 11, was then zeroed out following the transfer of assets and liabilities of the district heating business unit of AES Torino, including the 33% investment in Nichelino Energia.
  From 1 July 2014 Nichelino Energia was therefore consolidated at 100% rather than 83.83%.

The following transactions also took place, which did not result in a change of the scope of consolidation but in any event had effects on the Group structure:

- merger of the 100% subsidiary Enia Parma with the parent company Iren Emilia S.p.A.;
- merger of the 100% subsidiary Enia Piacenza with the parent company Iren Emilia S.p.A.;
- merger of the 100% subsidiary Enia Reggio Emilia with the parent company Iren Emilia S.p.A.

RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect. The Enterprise Risk Management model operative within the Group includes the methodological approach to integrated identification, assessment and management of the Group risks.
For each of the following risk types:

- Financial risk (interest rate, currency, spread);
- Credit risk;
- Energy risk, associated with energy and/or financial markets, such as market variables or pricing options;
- Operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows

specific "policies" have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks. The Group's Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage each type of risk.
The Iren Group also focuses particularly on maintaining trust and a positive image in the eyes of stakeholders. Consequently, reputational risks are also covered in the Group's Enterprise Risk Management model.
The "Risk Management" department, reporting to the Deputy Chairman, was set up within the Iren Group. This department is formally entrusted with the following activities:

- coordinating the integrated management process of the Group's risks;
- assessment of the Group's insurance needs, programme planning, signing and managing insurance policies, with the cooperation of the Legal department.

A periodic assessment process is also in place with regard to claims in the various sectors and across all the Group's areas of operation in order to overcome the causes and implement the most suitable methods to prevent and/or contain the impact of claims.

A summary of the Group's adopted risk management models, with breakdown by the type of risk, is shown hereunder.

1. FINANCIAL RISKS

Iren Group activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit currency risk and interest rate risk.

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collections and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group accounts along with infra-group interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the hedging of current financial commitments.

IREN has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.
With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), the clauses in Iren loan agreements are fulfilled. In particular, for certain medium/long-term loan agreements Iren is committed to meeting financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the IREN Group should be kept under direct and indirect control by Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to the lenders with respect to the treatment for other unsecured creditors.
The medium/long-term loan agreements of certain Group companies also envisage the observance of financial covenants (Net Financial Position/EBITDA, Net Financial Position/Equity) which have been satisfied.

b) Currency risk
Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to currency risk.

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. Iren Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges.
Compliance with the limits imposed by the policy is verified at the Financial Risk Committee meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.

2. CREDIT RISK
The credit risk of the Iren Group is mainly related to trade receivables connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services. The receivables show no particular concentration as the exposure is spread across a large number of counterparties, such as retail, business and public entity customers.
In conducting its business activities the Group is exposed to the risk that, as a result of the financial conditions of the paying party, the payment obligations might not be honoured when they become due. This results in an increase in the seniority of the receivables, with subsequent increase in those subject to arrangements with creditors or unenforceable.
In order to control credit risk, whose operating management is entrusted to individual regional functions, strategies have been defined for reducing credit exposure including customer solvency analysis in the acquisition phase through accurate analysis of credit ratings, the assignment of receivables of customers that are active and/or have ceased business to external credit recovery companies and the introduction of new recovery methods for the purpose of legal dispute management.
The trade receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and consumption levels.
Credit risk is hedged, for certain types of business customers, by appropriate forms of bank or insurance guarantees upon demand issued by first rate credit entities.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, “protected customer” electrical energy) in compliance with regulations governing these activities. This deposit is reimbursed if the customer adopts the payment through direct debit on current accounts.
Generally applied payment terms are compliant with regulations in force and are consistent with market standards. In the event of non payment, interest in arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.
Accruals to the allowance for impairment of accounts receivable accurately reflect the effective credit risk through quantification of the accrual, involving the analysis of the individual receivable items recorded in

the databases, specifically taking into account ageing, as well as comparison with historical losses and determination of the average non-payment rate.

As a result of the persisting economic situation, the Group has also improved credit risk control by strengthening its monitoring and reporting procedures, in order to identify potential counter-measures as quickly as possible.

3. ENERGY RISK

Energy risk relates to factors associated with the energy and/or financial markets that have a direct impact on changes in the Group's economic and financial results. A number of these factors are of an external nature, i.e. attributable to fuel prices and to revenue from energy sales, whilst others are internal and derive from the pricing structure adopted.

Among the risk factors with greatest impact on the Group are:

- currency risk, implicit in pricing and purchasing decisions, characterised by strong seasonal differences in exposure, due to the presence of different time lags between the indexes to which purchase and sales contracts are linked;
- commodity price risk relating to oil products and natural gas, associated with purchasing decisions;
- price risk associated with the Italian electrical energy market which, in relation to Iren Group exposure, becomes highly significant for the volatility of this market and the impact it can have on corporate results.

Within the Group, assessment of the impact of each risk fact on corporate results is performed through probabilistic analyses benchmarked according to volatility. Aggregation of the results produces the overall assessment of the risk in question. The energy risk policy sets quantitative limits on the value at risk of the portfolio. If these limits are surpassed, the risk is managed through specific hedging transactions.

Energy Risk Committee meetings also verify the performance of the main risk metrics, analyse the market situation, sales volumes, exposure to risks associated with exchange rates and energy raw materials prices and the performance of the hedging arrangements.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already mentioned in previous paragraphs, could influence the achievement of operational targets, i.e. relating to the effectiveness and efficiency of business transactions, performance levels, profitability and protection of the resources against losses.

The Group's Enterprise Risk Management model is focused on the integrated and synergic management of risks.

The Group's risk management process envisages that, for each business sector and operating segment the activities to identify the main risk factors associated with achieving objectives are analysed. After the identification tasks, the risks are assessed in quality and quantity terms (magnitude and event probability), so as to identify the key risks. The analysis also involves assessment of the current and prospective levels of risk control, monitored through specific key risk indicators.

The above steps allowing structuring of each risk-specific management plan.

Through every step in the management process, each risk is constantly controlled and monitored, during which the correct and effective implementation of the approved and planned management activities and the insurgence of any new operating risks are verified. The operational risk management process is associated with an organisation-wide structured reporting system for representing the results of risk measurement and management activities.

Each process stage is performed in accordance with standards and references defined at Group level.

The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.

Reports on risk are submitted to top management and to the risk owners involved in mitigation and management activities.

Risk analysis also supports the preparation of planning tools.

The operational risk management process also aims at optimising the Group's insurance profiles.

a. Legal and regulatory risks

The legislation and regulatory framework is subject to possible future changes, and therefore is a potential risk. For this purpose, the Iren Group has internal structures in charge of the continuous monitoring of reference legislation, in order to assess its implications and ensure its correct application.

b. Strategic risks

The current macroeconomic scenario also has a significant impact on the local utilities sector.

The Group's operations drivers are geared to consolidating core business in the reference regions, maximising operating efficiency, rationalising assets and where possible seizing upon external growth opportunities.

The strategic development plan of the Group, in line with the above drivers, involves the implementation of consolidation initiatives in the Group's operating segments, with completion of projects in the generation and district heating segment, enhancement of energy infrastructures, consolidation and operational efficiency improvements in the integrated water service, completion of projects associated with the waste-to-energy plant and assessment of external growth opportunities, particularly in the waste management sector.

All of the above result in risk exposure largely of a regulatory, technical, commercial, economic and financial nature, which the Group manages through dedicated processes and structures to oversee all the implementation stages of strategic objectives. In particular, the Risk Management department performs specific quality-quantity assessments, indicating the main risk factors and management plans required.

c. Plant-related risks

As regards the consistency of Group production plants, plant-related risks are managed with the above-mentioned approach in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).

For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and subsequent preventive action.

Risk is also monitored through insurance coverage planned on the basis of the individual plants.

d. the main IT risks are related to the availability of core systems, amongst which for example is Iren Mercato's interface with the Power Exchange.

The Company is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.

To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures ("Disaster recovery"), which are periodically subject to simulations, to ensure their effectiveness.

FINANCIAL POSITION, RESULT OF OPERATIONS AND CASH FLOWS OF THE IREN GROUP

Presented below are the income statement, statement of financial position and statement of cash flows for the Iren Group on which the comments regarding business performance are based.

Income Statement

IREN GROUP CONSOLIDATED INCOME STATEMENT - FIRST NINE MONTHS OF 2014

thousands of euro

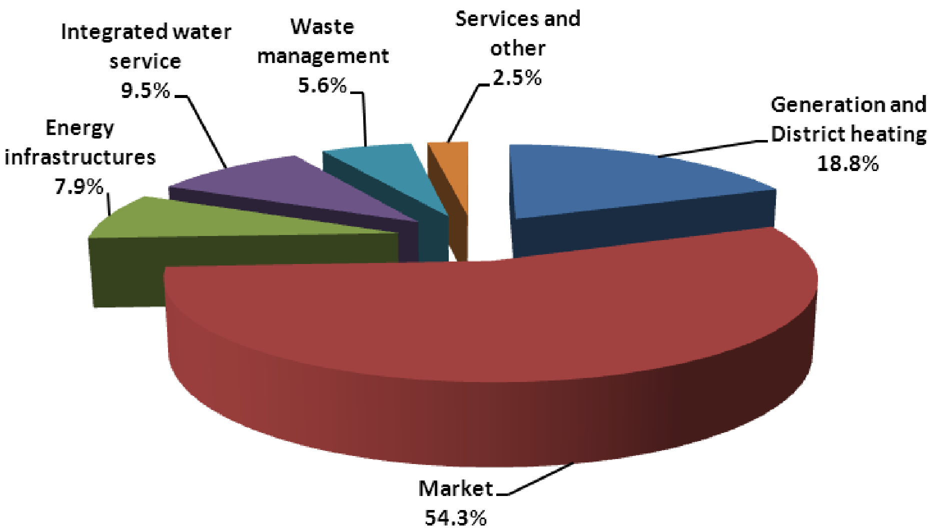
	First nine months 2014 Restated	First nine months 2013 Restated	% change
Revenue			
Revenue from goods and services	1,869,723	2,282,874	(18.1)
Change in work in progress	80	(562)	(*)
Other revenue and income	201,625	134,340	50.1
- of which non-recurring	*21,044*	-	
Total revenue	**2,071,428**	**2,416,652**	**(14.3)**
Operating expense			
Raw materials, consumables, supplies and goods	(720,818)	(1,093,229)	(34.1)
Services and use of third-party assets	(621,964)	(608,572)	2.2
Other operating expense	(54,088)	(59,597)	(9.2)
Capitalised expenses for internal work	14,669	17,624	(16.8)
Personnel expense	(204,934)	(190,089)	7.8
Total operating expense	**(1,587,135)**	**(1,933,863)**	**(17.9)**
GROSS OPERATING PROFIT (EBITDA)	**484,293**	**482,789**	**0.3**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(179,700)	(152,599)	17.8
Provisions and impairment losses	(21,902)	(55,702)	(60.7)
Total amortisation, depreciation, provisions and impairment losses	**(201,602)**	**(208,301)**	**(3.2)**
OPERATING PROFIT (EBIT)	**282,691**	**274,488**	**3.0**
Financial income and expense			
Financial income	20,205	20,770	(2.7)
Financial expense	(96,914)	(86,919)	11.5
Total financial income and expense	**(76,709)**	**(66,149)**	**16.0**
Share of profit of associates recognised using the equity method	(12,152)	8,889	(*)
Impairment losses on investments	(21)	(10,039)	(99.8)
Profit before tax	**193,809**	**207,189**	**(6.5)**
Income tax expense	(91,652)	(99,223)	(7.6)
Net profit/(loss) from continuing operations	**102,157**	**107,966**	**(5.4)**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**102,157**	**107,966**	**(5.4)**
attributable to:			
- Profit (loss) - Group	88,758	99,384	(10.7)
- Profit (loss) - non-controlling interests	13,399	8,582	56.1

(*) Change of more than 100%

Revenue

At 30 September 2014 the Iren Group achieved revenue of Euro 2,071 million, down by 14.3% compared to the Euro 2,417 million of 2013. The drop in revenue is mainly attributable to lower quantities sold in the energy segments, particularly as a result of weather trends and the persisting negative economic scenario.

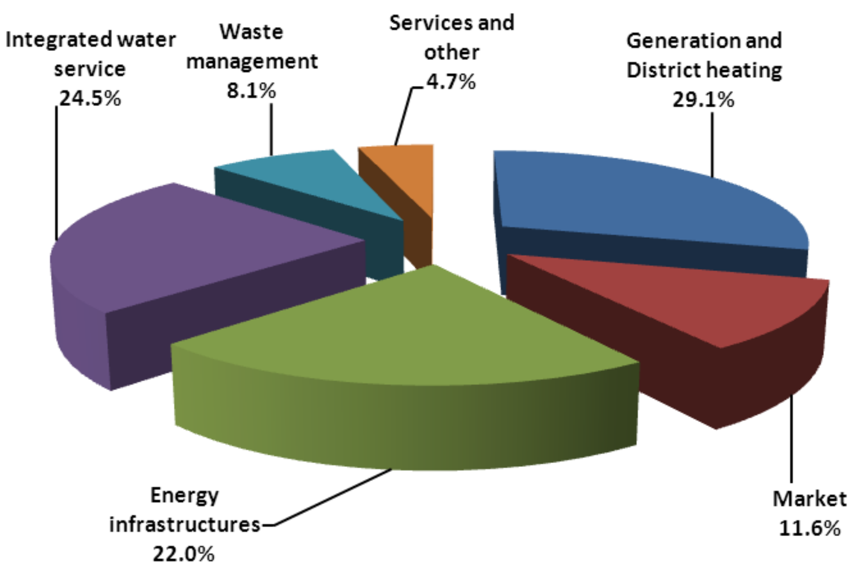
BREAKDOWN OF REVENUE



Gross Operating Profit (EBITDA)

Gross operating profit (EBITDA) amounted to Euro 484 million, in line with the Euro 483 million in the corresponding period of 2013 (+0.3%). The essential alignment between the two periods lies with the strongly conflicting performances characterised on the one hand by a steep drop in margins in the energy business chain due to the combined effect of regulatory, climate and market factors, and on the other hand by a recovery in margins, with an offsetting effect, in the Integrated Water System and Waste Management Business areas.

BREAKDOWN OF EBITDA



Operating profit (EBIT)

Operating profit (EBIT) amounted to Euro 283 million, up +3.0% on the Euro 274 million of 2013. In addition to the gross operating profit (EBITDA) performance, positive contributions to the operating profit were the lower allocations to the provision for doubtful debts for Euro +24.3 million and a greater release of funds for Euro +13 million, offset by higher amortisation and depreciation for Euro -27.1 million and higher allocations to provisions for risks for Euro -2.4 million.

Financial income and expense

Net financial expense totalled a negative Euro 77 million. In particular, financial expense amounted to Euro 97 million. The increase compared to the first nine months of 2013 is due mainly to the decrease in capitalised interest and the increase in financial charges from time-discounting. Financial income amounted to Euro 20 million (-3%).

Share of profit of associates recognised using the equity method

The results of associates accounted for using the equity method was negative by around Euro 12 million, down compared to the same period in 2013, mainly due to the negative result of OLT, partly offset by the profit achieved by AMIAT and ASA.

Impairment losses on investments

In the first nine months of 2013 this item was negative for Euro 10 million relating to the associate Sinergie Italiane.

Profit before tax

As a result of the above trends the consolidated profit before tax reached Euro 194 million, down 6.5% on the Euro 207 million of the first nine months of 2013.

Income tax expense

Income tax expense in the first nine months of 2014 amounted to Euro 92 million, down 7.6% compared to the first nine months of 2013. The nominal tax rate is 47%.

Net profit (loss) for the period

Profit for the period amounted to Euro 102 million, down 5.4% on the same period of 2013.

Segment reporting

The Iren Group operates in the following business segments:

- Generation and District Heating (hydroelectric energy, co-generation of electrical energy, heat and district heating networks and thermoelectric production)
- Market (Sale of electrical energy, gas, heat)
- Energy Infrastructures (electrical energy distribution networks, gas distribution networks)
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Waste Management (Waste collection and disposal)
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
Below are the main income statement items with relative comments broken down by operating segment and comparison with figures for the first nine months of 2013, restated to take into account the deconsolidation of OLT, SAP and Iren Rinnovabili business and the new post-spin off organisation, takeover of activities managed by AES Torino (line-by-line consolidation of the district heating distribution and deconsolidation of the gas distribution business).

Generation and District heating

Revenue for the period amounted to Euro 572 million, down -19.2% compared to Euro 708 million recorded in 2013.

			First 9 months 2014	First 9 months 2013	Δ %
Revenue		€/mln.	572	708	-19.2%
Gross Operating Profit (EBITDA)		€/mln.	141	179	-21.3%
EBITDA Margin			*24.6%*	*25.3%*	
Operating profit (EBIT)		€/mln.	81	123	-34.4%
Investments		€/mln.	51	28	83.8%
Electrical energy produced		GWh	4,197	5,243	-19.9%
	from hydroelectric sources	*GWh*	1,114	1,004	10.9%
	from cogeneration sources	*GWh*	2,470	4,239	-41.7%
	from thermoelectric sources	*GWh*	613	0	(*)
Heat produced		GWh_t	1,620	1,993	-18.7%
	from cogeneration sources	*GWh_t*	1,353	1,608	-15.9%
	from non-cogeneration sources	*GWh_t*	267	385	-30.7%
District heating volumes		Mln m^3	79	77	3.0%

At 30 September 2014, electrical energy production totalled 4,197 GWh, down -19.9% on the 5,243 GWh of the same period of 2013, largely due to the effect of lower cogeneration production (-1,768 GWh) partly offset by thermoelectric production at the Turbigo plant and higher hydroelectric production (+10.9%; +110 GWh).
In particular, cogeneration production totalled 2,470 GWh, down -41.7% compared to the 4,239 GWh of 2013, due mainly to the lower production at Moncalieri GT3 (-828 GWh) and Torino Nord (-673 GWh), whilst thermoelectric production at the Turbigo plant, which became part of the group from the last two months of 2013, was 613 GWh.
Hydroelectric production was 1,114 GWh, up +10.9% compared to the 1,004 GWh of 2013 due to production at the former Edipower production plant in Tusciano (+267 GWh), which was included in the Group only in the last two months of 2013.

Heat production for the period totalled 1,620 GWh_t, down by -18.7% compared to the 1,993 GWh_t of 2013, due to the effect of a particularly mild heating season characterised (-18% degree days in the Turin area, -23% in the Genoa area and -26% in the Emilia Romagna area).
Volumes of district heating totalled around 79 million m^3, 56 million of which in Turin, 3.4 million m^3 in Genoa and 20 million m^3 in Reggio Emilia, Parma and Piacenza. The cogenerated heat share was 84%, up compared to the 81% recorded in 2013, due to the greater use of storage systems that have optimised cogeneration production.

Gross operating profit (EBITDA) amounted to Euro 141 million, down -21.3% compared to Euro 179 million in the corresponding period of 2013.
The decrease in gross operating profit (EBITDA) was negatively affected by a variety of external factors that had already had an impact on results for the first half of the year. In particular, the exceptionally mild winter months in the first part of the year strongly penalised heat production. The production of electrical energy, for the most part associated with heat energy cogeneration, also reflects a decline in generation margins due to the drop in sale prices, aggravated by falling demand due to the economic crisis and higher quantities produced from renewable sources. The margins relating to hydroelectric production recorded a

positive performance due to the contribution of the former Edipower plant in Tusciano, which became part of the Group only in the last two months of 2013.

Operating profit (EBIT) totalled Euro 81 million, this also down -34.4% against Euro 123 million in the corresponding period of 2013. This margin followed the same trend as gross operating profit (EBITDA), since the higher amortisation and depreciation associated with the former Edipower plants - the Tusciano hydroelectric plant and the Turbigo plant - and with the Torino Nord plant were essentially offset by the release of a provision following elimination of the risk that had justified the provision and related to the former Edipower plants.
Technical investments in the generation and district heating sector amounted to Euro 51 million, of which around Euro 46 million relating to cogeneration and district heating and Euro 5 million to the hydroelectric segment.

Market

Market area turnover amounted to Euro 1,654 million, down -25.0% compared to Euro 2,204 million in the previous year. The gross operating profit (EBITDA) stood at Euro 56 million, down -23.1% compared with Euro 73 million in the corresponding period of 2013.

		First 9 months 2014	**First 9 months 2013**	**Δ %**
Revenue	€/mln.	1,654	2,204	-25.0%
Gross Operating Profit (EBITDA)	€/mln.	56	73	-23.1%
EBITDA Margin		*3.4%*	*3.3%*	
from electrical energy	*€/mln.*	16	-1	(*)
from gas	*€/mln.*	39	70	-44.0%
from heat	*€/mln.*	1	4	-73.9%
Operating profit (EBIT)	€/mln.	28	28	-1.8%
Investments		7	6	27.1%
Electrical energy sold	GWh	7,875	9,495	-17.1%
Electrical energy sold net of Power Exchange purchases/sales	GWh	6,894	8,850	-22.1%
Gas purchased	Mln m^3	1,479	2,164	-31.6%
Gas sold by the Group	Mln m^3	644	921	-30.0%
Gas for internal use	Mln m^3	693	1,050	-34.0%
Gas in storage		142	194	-26.8%

Sale of electrical energy
Volumes sold net of energy bought/sold on the power exchange amounted to 6,894 GWh (gross electrical energy totalled 7,875 GWh), marking a decrease of -22.1% compared to 8,850 GWh in the first nine months of 2013.
Total volumes sold to end customers and wholesalers amount to 3,742 GWh, down -11.3% compared to 4,221 GWh in the first nine months of 2013, while the volumes used on the power exchange (gross of energy bought/sold) amounted to 3,596 GWh, down -22.2% on the 4,623 GWh of the same period in 2013.
With regard to higher protection segment customers, the total volumes sold during the period amounted to 537 GWh, a decrease of -17.6% compared to 652 GWh in the first nine months of 2013 due to the gradual deregulation of the market. Also through production at the former Edipower plants of Tusciano and Turbigo which essentially offset the termination of the Edipower tolling agreements, in the first nine months of 2014 the Group maintained a level of electrical energy production from internal Group sources of around 61%.

Gross operating profit (EBITDA) from the sale of electrical energy amounted to Euro 16 million, up significantly on the Euro -1 million of 2013.

This result is associated mainly with the fact that the losses connected with management of the tolling agreement, which in 2013 reflected the operating loss of Edipower, the adjustments in previous years including in particular the recognition - the outcome of the final decision of the State Council - of the Additional Capacity Payment Amount for the period 2010-2013, no longer apply.

Sale of natural gas

Total volumes of natural gas procured in the first nine months of 2014 were approximately 1,479 million m^3, compared to 2,164 million m^3 in the corresponding period of 2013 (-31.6%). The volumes marketed to customers outside the Group totalled 644 million m^3 (921 million m^3 in the first nine months of 2013), whilst 693 million m^3 were used within the Group for both the generation of electrical energy and the supply of heat services (1,050 million m^3 in the corresponding period of 2013) and 142 million m^3 were placed in storage (194 million m^3 in the corresponding period of 2013).

The gross operating profit (EBITDA) stood at Euro 39 million, down -44% from the Euro 70 million in the corresponding period of 2013, mainly due to the drop in unit margin following AEEGSI measures to review the tariff definition mechanisms and to the significant decrease in volumes sold because of the previously mentioned extraordinary weather conditions that characterised the first part of the year.

Market development

Ongoing action continued in 2014 with regard to maintaining customer loyalty and to expanding the reference portfolio, extending the scope of activities to new geographic areas.
Competitor activities continued to rise in the areas traditionally managed and therefore the company further strengthened its commercial activity by increasing sales channels and enhancing outbound activities to customers.

Sale of heat energy through the district heating networks

The gross operating profit (EBITDA) in the first nine months of 2014 amounted to Euro 1 million, down Euro 4 million on the corresponding period of 2013 (-73.9%). The decrease is attributable to the particularly mild weather conditions and to new contracts for ordinary maintenance only.

Energy infrastructures

At 30 September 2014 the Energy Infrastructures segment, which includes gas, electricity and heat distribution business, recorded revenue of Euro 241 million, slightly up on the Euro 238 million of the same period in 2013 (+1.2%).
Gross operating profit (EBITDA) amounted to Euro 107 million, down -7.7% compared to Euro 115 million in 2013.
Operating profit (EBIT) amounted to Euro 75 million, down compared to Euro 81 million in 2013 (-7.5%).
The main changes in the segments concerned are illustrated below.

		First 9 months 2014	First 9 months 2013	Δ %
Revenue	€/mln.	241	238	1.2%
Gross Operating Profit (EBITDA)	€/mln.	107	115	-7.0%
EBITDA Margin		*44.3%*	*48.2%*	
from electrical energy networks	*€/mln.*	52	61	-15.7%
from gas networks	*€/mln.*	55	54	3.0%
Operating profit (EBIT)	€/mln.	75	81	-7.5%
Investments	€/mln.	43	33	27.6%
in electrical energy networks	*€/mln.*	17	16	8.7%
in gas networks	*€/mln.*	26	18	44.2%
Electrical energy distributed	GWh	2,880	3,134	-8.1%
Gas distributed	Mln m^3	730	939	-22.3%

Electrical Energy Distribution Networks
Gross operating profit (EBITDA) amounted to Euro 52 million, down -15.7% on the Euro 61 million of 2013. The decline for Euro -9 million is attributable to the negative balance of contingent assets (2013 benefited from capital assets on the CCSE tariff component), the lower contributions from connections to the network and other accessory revenue from the contribution margin.

In the first nine months of 2014, investments for around Euro 17 million were made, mainly related to new connections, the construction of new LV/MV substations and LV/MV lines.

Gas Distribution Networks
The gross operating profit (EBITDA) for the gas distribution networks was Euro 55 million, up +3% compared to the Euro 54 million recorded in 2013. The positive change in the margin is attributable to the recognition and valuation of energy efficiency certificates.

Investments during the period amounted to Euro 26 million and refer particularly to the redevelopment plan through the installation of cathodic protection systems to replace the grey cast iron pipes, the installation of electronic meters and development initiatives for the distribution network and connections.

Integrated Water Service

At 30 September 2014 the Integrated Water Service recorded revenue of Euro 334 million, up 7.2% on the Euro 311 million of the corresponding period of 2013. The increase in revenue compared to the previous year is attributable to the higher tariffs associated with the new VRG (Operator Revenue Restriction) and in particular to the tariff adjustments linked to application of the temporary tariff method to 2012 and 2013, as well as to higher revenue from the recognition of energy efficiency certificates to construct plants designed to reduce electrical energy consumption. In addition, increased revenue was recorded in relation to the application of IFRIC 12 associated with investments during the period in third-party assets.

		First 9 months 2014	First 9 months 2013	Δ %
Revenue	€/mln.	334	311	7.2%
Gross Operating Profit (EBITDA)	€/mln.	118	89	33.4%
EBITDA Margin		*35.5%*	*28.5%*	
Operating profit (EBIT)	€/mln.	66	39	68.9%
Investments	€/mln.	48	45	7.2%
Water sold	Mln m^3	108	113	-4.2%

Gross operating profit (EBITDA) amounted to Euro 118 million, up by a significant +33.4% on the Euro 89 million of 2013. The increase is attributable to the tariff changes, contingent assets from past tariff adjustments, the recognition of energy efficiency certificates and the absence of contingent liabilities that had characterised the corresponding period of 2013, mainly as a result of the reimbursement of the capital remuneration pursuant to the 2011 referendum.

The operating profit (EBIT) was Euro 66 million, up +68.9% compared to the Euro 39 million recorded in the corresponding period of 2013. The improvement reflects the trends in gross operating profit (EBITDA).

The investments totalled Euro 48 million and concern the construction of infrastructures envisaged in the Area Plans for the maintenance and development of distribution networks and systems, the sewerage network and water treatment plants.

Waste Management

At 30 September 2014, sector revenue amounted to Euro 169 million, up by +7% compared to Euro 158 million in the same period of 2013. The Euro 11 million increase derives mainly from the higher energy revenue (electrical energy, heat and related incentives) from the operational start-up of the WTE-IEH Parma, amounts from waste management services and the sale of recycling materials from separated waste collection.

			First 9 months 2014	First 9 months 2014	Δ %
Revenue		€/mln.	169	158	7.0%
Gross Operating Profit (EBITDA)		€/mln.	39	27	47.0%
EBITDA Margin			*23.0%*	*16.7%*	
Operating profit (EBIT)		€/mln.	15	8	91.3%
Investments		€/mln.	14	37	-60.6%
Waste handled		tons	795,711	738,505	7.7%
	Urban waste	tons	540,892	535,617	1.0%
	Special waste	tons	254,819	202,888	25.6%

Gross operating profit (EBITDA) amounted to Euro 39 million, up by a significant +47% on the Euro 27 million of 2013. The increase is attributable to start-up of the Parma IEH waste-to-energy plant (energy revenue and termination of costs on other plants), to the recovery of margins at the Tecnoborgo WTE plant, the increase in margins on waste management activities, also due to operating synergies and synergies between trading and treatment of special waste.

The operating profit (EBIT) was Euro 15 million, up +91.3% compared to the Euro 8 million recorded in 2013. The trend recorded in EBITDA was partially absorbed by the fact that there is no longer a positive effect from the release in 2013 of post mortem provisions, the increase in amortisation and depreciation associated with the operational start-up of the WTE-IEH Parma, partly offset by other minor amortisation and depreciation and by CIG/CIGS provisions.

Investments made during the period amounted to Euro 14 million and mainly refer to works to complete the Parma Integrated Environmental Hub (IEH), collection service equipment to support the development of door-to-door separate waste collection and construction of the treatment plant for detritus collected during street cleaning.

Services and other

		First 9 months 2014	First 9 months 2013	Δ %
Revenue	€/mln.	76	63	20.4%
Gross Operating Profit (EBITDA)	€/mln.	23	1	*
EBITDA Margin		*30.4%*	*0.8%*	
Operating profit (EBIT)	€/mln.	19	-4	(*)
Investments	€/mln.	12	9	29.5%

(*) Change of more than 100%

At 30 September 2014 revenue amounted to Euro 76 million, up 20.4% compared to the Euro 63 million recorded in the corresponding period of 2013.
The increase is attributable to the capital gain generated already during the first half of the year from the disposal of further units of the real estate fund set up previously in reference to Group properties.
This capital gain also affected gross operating profit (EBITDA), which amounted to Euro 23 million compared to Euro 1 million in the same period of 2013.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION FOR THE IREN GROUP AT 30 SEPTEMBER 2014

thousands of euro

	30.09.2014	31.12.2013 Restated	% change
Non-current assets	4,537,163	4,525,762	0.3
Other non-current assets (liabilities)	(154,770)	(135,501)	14.2
Net working capital	209,571	151,369	38.5
Deferred tax assets (liabilities)	129,844	121,995	6.4
Provisions for risks and employee benefits	(445,286)	(473,695)	(6.0)
Assets (Liabilities) held for sale	491	995	(50.7)
Net invested capital	**4,277,013**	**4,190,925**	**2.1**
Equity	1,995,632	1,998,762	(0.2)
Non-current financial assets	*(63,332)*	*(79,424)*	*(20.3)*
Non-current financial indebtedness	*2,235,477*	*1,853,608*	*20.6*
Non-current net financial indebtedness	2,172,145	1,774,184	22.4
Current financial assets	*(539,231)*	*(454,902)*	*18.5*
Current net financial indebtedness	*648,467*	*872,881*	*(25.7)*
Current net financial indebtedness	109,236	417,979	(73.9)
Net financial indebtedness	2,281,381	2,192,163	4.1
Own funds and net financial indebtedness	**4,277,013**	**4,190,925**	**2.1**

The main changes in the statement of financial position at 30 September 2014 are commented below.
Non-current assets remained essentially unchanged compared to 31 December 2013 For further details on investments in the period, reference should be made to the section “Segment Reporting”.
The increase in net working capital (+38.5%) was affected by the changes in trade receivables and payables and in tax items.
Deferred taxes increased by 6.4% compared to the previous period.
Equity remained essentially unchanged compared to 31 December 2013, mainly due to the dividends distributed and the result for the period.
The statement of cash flows presented below provides an analytical breakdown of the changes in the first nine months of 2014.

Statement of Cash Flows

STATEMENT OF CASH FLOWS FOR THE IREN GROUP - FIRST NINE MONTHS OF 2014

thousands of euro

	First nine months 2014 Restated	First nine months 2013 Restated	% change
A. Opening cash and cash equivalents	**50,221**	**26,681**	**88.2**
Cash flows from operating activities			
Profit (loss) for the period	102,157	107,966	(5.4)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	179,700	152,599	17.8
Capital gains (losses) and other changes in equity	(25,127)	(2,031)	(*)
Net change in post-employment benefits and other employee benefits	742	1,120	(33.8)
Net change in provision for risks and other charges	(33,325)	(23,790)	40.1
Change in deferred tax assets and liabilities	(7,749)	(355)	(*)
Change in other non-current assets and liabilities	19,269	(34,007)	(*)
Dividends accounted for net of adjustments	(1,030)	(1,165)	(11.6)
Share of profit (loss) of associates	12,152	(8,889)	(*)
Net impairment losses (reversals of impairment losses) on assets	837	10,755	(92.2)
B. Cash flows from operating activities before changes in NWC	**247,626**	**202,203**	**22.5**
Change in inventories	10,971	(10,435)	(*)
Change in trade receivables	193,490	289,406	(33.1)
Change in tax assets and other current assets	(67,464)	30,492	(*)
Change in trade payables	(300,664)	(336,374)	(10.6)
Change in tax liabilities and other current liabilities	105,465	79,766	32.2
C. Cash flows from changes in NWC	**(58,202)**	**52,855**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**189,424**	**255,058**	**(25.7)**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(175,490)	(158,582)	10.7
Investments in financial assets	(58,823)	(723)	(*)
Proceeds from the sale of investments and changes in assets held for sale	23,778	5,156	(*)
Dividends received	7,061	8,730	(19.1)
E. Total cash flows used in investing activities	**(203,474)**	**(145,419)**	**39.9**
F. Free cash flow (D+E)	**(14,050)**	**109,639**	**(*)**
Cash flows from/(used in) financing activities			
Dividends paid	(73,642)	(76,070)	(3.2)
New non-current loans	525,000	258,000	(*)
Repayment of non-current loans	(530,330)	(186,683)	(*)
Change in financial liabilities	161,259	(164,485)	(*)
Change in financial assets	(87,132)	58,910	(*)
G. Total cash flows from/(used in) financing activities	**(4,845)**	**(110,328)**	**(95.6)**
H. Cash flows for the period (F+G)	**(18,895)**	**(689)**	**(*)**
I. Closing cash and cash equivalents (A+H)	**31,326**	**25,992**	**20.5**

(*) Change of more than 100%

The following table shows the change in the Group's consolidated net financial indebtedness for the relevant periods.

thousands of euro

	First nine months 2014 Restated	First nine months 2013 Restated	% change
Free cash flow	(14,050)	109,639	(*)
Dividends paid	(73,642)	(76,070)	(3.2)
Change in fair value of hedging derivatives	(1,526)	19,265	(*)
Change in net financial position	**(89,218)**	**52,834**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 30 September 2014 amounted to Euro 2,281 million, up 4.1% compared to 31 December 2013.
In particular, the free cash flow, a negative Euro 14 million, derives from the combined effect of the following cash flows:

- cash flows from operating activities were positive by Euro 189 million and consist of Euro 247 million cash flows from operating activities before changes in net working capital and Euro -58 million cash flows deriving from changes in net working capital;
- cash flows used in investing activities, negative for Euro 203 million, were generated from investments in property, plant, equipment, intangible assets and financial assets of Euro 234 million (including investments for the construction of infrastructures under concession pursuant to IFRIC 12), proceeds from the disposal of non-current assets for Euro 24 million and from the collection of Euro 7 million in dividends.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

EVENTS AFTER THE REPORTING PERIOD

Plan to merge Società Acque Potabili into Sviluppo Idrico

On 8 October 2014 the Shareholders' Meeting resolution regarding the merger of Acque Potabili into Sviluppo Idrico was entered in the Turin Register of Companies, whilst on 23 October 2014 the deadline was reached for Shareholders' submission of statements of sell-back.

On 6 November it was disclosed that the number of shares on which the right of sell-back was exercised was 699,411. In compliance with current regulations, these shares were offered with right of pre-emption until 9 December 2014 to Acque Potabili shareholders that had not exercised the sell-back right.

Iren - CGIL, CISL and UIL: inter-generational agreement reached with job openings for young people

An inter-generational agreement to open up real job opportunities to young people, able to join the Iren Group according to a voluntary exit plan for personnel meeting pension requirements by the end of 2018. This was the core of the agreement reached between the Iren Group and the trade unions CGIL, CISL and UIL, through the reference categories (gas-water, electricity, waste management), which was signed on 24 October.
The agreement, the result of discussions and constructive cooperation between Iren and the trade unions, envisages an early retirement incentive for around 300 employees working in the various reference areas, available on a voluntary basis to approximately 4,500 Group employees, and the recruitment of around 180 new staff, mainly young people under apprentice contracts, by the end of 2016.
The incentive, the cost of which will be fully borne by the Iren Group with no charge to the social security and welfare institutions (in application of Article 4, Law 92/2012), will allow older staff in service to opt for retirement 24 months earlier than the due date, in part compensating for the delay in terminating employment contracts now in force following the pension system reform.
The new employment opportunities, supported by training courses to become professionals arranged in partnership with schools and universities by the Iren Group, and demographic rebalancing are the key objectives for the implementation of development projects currently being defined by the Iren Group in the new Business Plan, which call for the acquisition of new levels of professionalism, a stronger focus on distinctive and innovative skills, and on building a Group culture more geared towards anticipating the needs of the community, the central role of customers and growth, and also as a development opportunity for the reference areas.

BUSINESS OUTLOOK

The Eurozone macroeconomic scenario for the first nine months of 2014 confirms that of the first half of the year and shows a practically flat or slightly negative GDP, clashing with growths of around 1 percentage point in the United States and 0.8% in the United Kingdom. In particular, the second quarter of the year proved negative also for Germany and France, whereas for Italy Moody's downgraded the growth forecasts from 0.5% to -0.1%. For the fourth quarter of 2014, the austerity measures still applied in many EU Member States, the stagnant conditions of the labour market and the subsequent decline in the disposable income trend will result in household consumption remaining weak.
The scenarios in Italy described previously forecast a trend that fluctuates between an albeit minor recession and extremely limited growth, based on banks' lending capacity so as not to interrupt the normal investment cycle and the implementation or otherwise of ongoing reforms resulting from the current political-institutional phase. Reference is made in particular to public administration's repayment plan to businesses, to labour market-related measures and actions taken to increase the spending capacity of taxpayers. The competitive scenario remains a challenge, with energy commodity prices which in the short term show no signs of recovery.

In this macroeconomic scenario the Group’s short-term strategy focuses on maintaining profitability, pursuing significant operating synergies and consolidating the Group’s presence in regulated sectors, in addition to strict monitoring of its own financial stability and optimisation of its investments portfolio, with particular attention on selectively identified development opportunities. In terms of operating synergies, positive effects are expected from implementation of the demographic rebalancing of the Group’s human resources, which involves the opening up of job opportunities for young people according to a voluntary exit plan for personnel meeting pension requirements by the end of 2018.

Iren S.p.A.
Via Nubi di Magellano, 30 – 42123 Reggio Emilia
Share capital fully paid-in Euro 1,276,225,677.00
Reggio Emilia Companies Register no. 07129470014
Tax Code and VAT no. 07129470014

CONSOLIDATED FINANCIAL STATEMENTS
AT 30 SEPTEMBER 2014

Consolidated Statement of Financial Position

thousands of euro

	30.09.2014	31.12.2013 (*)	1.1.2013 (*)
ASSETS			
Property, plant and equipment	2,909,246	2,567,337	2,257,518
Investment property	14,515	14,457	926
Intangible assets with a finite useful life	1,195,899	1,178,214	1,142,962
Goodwill	124,407	124,407	125,407
Investments accounted for using the equity method	277,531	426,242	725,062
Other investments	15,565	15,491	29,808
Non-current financial assets	63,332	79,424	142,043
Other non-current assets	45,634	52,982	32,510
Deferred tax assets	309,267	305,915	211,136
Total non-current assets	**4,955,396**	**4,764,469**	**4,667,372**
Inventories	96,149	106,618	87,905
Trade receivables	802,826	998,269	1,219,498
Current tax assets	19,889	5,042	8,283
Other receivables and other current assets	249,881	197,205	246,721
Current financial assets	507,905	418,407	404,703
Cash and cash equivalents	31,326	50,222	26,681
Total current assets	**1,707,976**	**1,775,763**	**1,993,791**
Assets held for sale	491	1,001	4,787
TOTAL ASSETS	**6,663,863**	**6,541,233**	**6,665,950**

(*) The comparison figures at 31.12.2013 and 01.01.2013 have been restated following the application of IFRS 11 "Joint arrangements".

thousands of euro

	30.09.2014	31.12.2013 (*)	1.1.2013 (*)
EQUITY			
Equity attributable to owners of the Parent			
Share capital	1,276,226	1,276,226	1,276,226
Reserves and retained earnings	413,338	415,721	463,629
Net profit (loss) for the period	95,143	80,554	-
Total equity attributable to owners of the Parent	**1,784,707**	**1,772,501**	**1,739,855**
Non-controlling interests	210,925	216,526	214,402
TOTAL EQUITY	**1,995,632**	**1,989,027**	**1,954,257**
LIABILITIES			
Non-current financial liabilities	2,235,477	1,841,116	2,137,465
Employee benefits	115,560	113,198	98,964
Provisions for risks and charges	256,906	283,685	271,498
Deferred tax liabilities	179,423	173,198	102,720
Other payables and other non-current liabilities	200,404	188,484	152,693
Total non-current liabilities	**2,987,770**	**2,599,681**	**2,763,340**
Current financial liabilities	648,467	714,320	533,518
Trade payables	637,001	947,190	1,106,130
Other payables and other current liabilities	245,100	205,348	223,862
Current tax liabilities	77,073	10,952	3,274
Provisions for risks and charges - current portion	72,820	74,709	81,548
Total current liabilities	**1,680,461**	**1,952,519**	**1,948,332**
Liabilities related to assets held for sale	-	6	21
TOTAL LIABILITIES	**4,668,231**	**4,552,206**	**4,711,693**
TOTAL EQUITY AND LIABILITIES	**6,663,863**	**6,541,233**	**6,665,950**

(*) The comparison figures at 31.12.2013 and 01.01.2013 have been restated following the application of IFRS 11 “Joint arrangements”.

Consolidated Income Statement

	First nine months 2014	thousands of euro First nine months 2013 (*)
Revenue		
Revenue from goods and services	1,869,448	2,284,072
Change in work in progress	80	(562)
Other revenue and income	201,379	134,038
- of which non-recurring	*21,044*	-
Total revenue	**2,070,907**	**2,417,548**
Operating expense		
Raw materials, consumables, supplies and goods	(720,794)	(1,092,242)
Services and use of third-party assets	(672,586)	(679,933)
Other operating expense	(54,088)	(59,264)
Capitalised expenses for internal work	13,592	15,775
Personnel expense	(202,194)	(187,225)
Total operating expense	**(1,636,070)**	**(2,002,889)**
GROSS OPERATING PROFIT (EBITDA)	**434,837**	**414,659**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(170,206)	(139,717)
Provisions and impairment losses	(21,902)	(55,702)
Total amortisation, depreciation, provisions and impairment losses	**(192,108)**	**(195,419)**
OPERATING PROFIT (EBIT)	**242,729**	**219,240**
Financial income and expense		
Financial income	20,408	20,739
Financial expense	(94,740)	(81,254)
Total financial income and expense	**(74,332)**	**(60,515)**
Share of investments recognised using the equity method	19,678	37,161
Impairment losses on investments	(21)	(10,039)
Profit before tax	**188,054**	**185,847**
Income tax expense	(79,512)	(83,257)
Net profit/(loss) from continuing operations	**108,542**	**102,590**
Net profit/(loss) from discontinued operations	-	-
Net profit (loss) for the period	**108,542**	**102,590**
attributable to:		
- Profit (loss) - Group	95,143	93,911
- Profit (loss) - non-controlling interests	13,399	8,679

(*) The comparison figures for the first nine months of 2013 have been restated following the application of IFRS 11 “Joint arrangements”.

Other comprehensive income

	First nine months 2014	First nine months 2013
		thousands of euro
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	**108,542**	**102,590**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	(1,526)	19,265
- change in fair value of available-for-sale financial assets	-	-
- share of other profits (losses) of companies accounted for using the equity method	(10,018)	589
Tax effect of other comprehensive income	100	(6,371)
Total other comprehensive income to be subsequently reclassified to the Income Statement net of tax effect (B1)	**(11,444)**	**13,483**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial profits/(losses) from defined benefit plans (IAS 19)	-	-
Tax effect of other comprehensive income	-	-
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**-**	**-**
Total comprehensive income/(expense) (A)+(B1)+(B2)	**97,098**	**116,073**
attributable to:		
- Profit (loss) - Group	83,636	107,309
- Profit (loss) - non-controlling interests	13,462	8,764

Statement of changes in consolidated equity

	Share capital	Share premium reserve	Legal reserve
31/12/2012	**1,276,226**	**105,102**	**28,996**
Legal reserve			3,516
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Profit for the period			
- Other comprehensive income			
30/09/2013	**1,276,226**	**105,102**	**32,512**
31/12/2013	**1,276,226**	**105,102**	**32,512**
Legal reserve			4,343
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Profit for the period			
- Other comprehensive income			
30/09/2014	**1,276,226**	**105,102**	**36,855**

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(42,645)	**219,617**	**311,070**	**152,559**	**1,739,855**	**214,402**	**1,954,257**
		3,516	(3,516)			-
		-	(66,747)	(66,747)	(9,323)	(76,070)
	82,296	82,296	(82,296)	-		-
	3,122	3,122		3,122		3,122
	228	228		228	(8)	220
13,398		13,398	93,911	107,309	8,764	116,073
			93,911	93,911	8,679	102,590
13,398	-	13,398		13,398	85	13,483
(29,247)	**305,263**	**413,630**	**93,911**	**1,783,767**	**213,835**	**1,997,602**
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**
		4,343	(4,343)	-		-
		-	(66,747)	(66,747)	(6,895)	(73,642)
	9,464	9,464	(9,464)	-		-
	(1,585)	(1,585)		(1,585)	(12,219)	(13,804)
	(3,099)	(3,099)		(3,099)	52	(3,047)
(11,506)		(11,506)	95,143	83,637	13,461	97,098
			95,143	95,143	13,399	108,542
(11,506)	-	(11,506)		(11,506)	62	(11,444)
(35,534)	**306,915**	**413,338**	**95,143**	**1,784,707**	**210,925**	**1,995,632**

Consolidated Statement of Cash Flows

thousands of euro

	First nine months 2014	First nine months 2013 (*)
A. Opening cash and cash equivalents	**50,222**	**26,681**
Cash flows from operating activities		
Profit (loss) for the period	108,542	102,590
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	170,206	139,717
Capital gains (losses) and other changes in equity	(19,110)	2,078
Net change in post-employment benefits and other employee benefits	250	1,254
Net change in provision for risks and other charges	(32,842)	(23,454)
Change in deferred tax assets and liabilities	(7,312)	(742)
Change in other non-current assets and liabilities	19,312	(33,964)
Dividends accounted for net of adjustments	(1,030)	(1,165)
Share of profit (loss) of associates	(19,678)	(37,161)
Net impairment losses (reversals of impairment losses) on assets	837	10,755
B. Cash flows from operating activities before changes in NWC	**219,175**	**159,908**
Change in inventories	11,051	(10,420)
Change in trade receivables	223,493	289,907
Change in tax assets and other current assets	(67,318)	29,880
Change in trade payables	(320,096)	(318,713)
Change in tax liabilities and other current liabilities	105,487	90,003
C. Cash flows from changes in NWC	**(47,383)**	**80,657**
D. Cash flows from/(used in) operating activities (B+C)	**171,792**	**240,565**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(170,837)	(151,426)
Investments in financial assets	(58,823)	(723)
Proceeds from the sale of investments and changes in assets held for sale	23,808	5,160
Changes in the scope of consolidation	(207,560)	-
Dividends received	42,790	43,836
E. Total cash flows used in investing activities	**(370,622)**	**(103,153)**
F. Free cash flow (D+E)	**(198,830)**	**137,412**
Cash flows from/(used in) financing activities		
Dividends paid	(73,642)	(76,070)
New non-current loans	525,000	258,000
Repayment of non-current loans	(530,330)	(186,683)
Change in financial liabilities	332,312	(179,293)
Change in financial assets	(73,406)	45,945
G. Total cash flows from/(used in) financing activities	**179,934**	**(138,101)**
H. Cash flows for the period (F+G)	**(18,896)**	**(689)**
I. Closing cash and cash equivalents (A+H)	**31,326**	**25,992**

(*) The comparison figures for the first nine months of 2013 have been restated following the application of IFRS 11 "Joint arrangements".

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING, PURSUANT TO THE PROVISIONS OF ART. 154-BIS, PARAGRAPH 2, ITALIAN LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCE ACT)

The undersigned manager in charge of Iren S.p.A. financial reporting, Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act, that the Interim Report at 30 September 2014 corresponds to the accounting documents, records and books.

12 November 2014

Iren S.p.A.
Administration and Finance Director and
Manager in charge of financial reporting as
per Law 262/05
Massimo Levrino

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